

The Survey of Real Estate Internal Rate of Return in China in 2024

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Abstract

The 2024 China Real Estate Internal Rate of Return (IRR) Survey, commissioned by the China Institute of Real Estate Appraisers and Agents (CIREAA), represents one of the most comprehensive empirical efforts to measure the investment performance of China's property markets. The Internal Rate of Return serves as a core indicator of profitability and a key benchmark for determining discount rates in property valuation. By analyzing verified transaction data across twenty-five major Chinese cities and three property sectors – residential, office, and retail, the survey provides a representative picture of regional variations in investment performance.

This study summarizes the methodological framework, national findings, and six representative city cases including Beijing, Shanghai, Xi'an, Nanning, Lanzhou, and Shenzhen. The results reveal striking heterogeneity across cities and property types: first tier metropolitan centers display stable yet modest IRRs under tight policy regulation; while emerging inland and southern cities report stronger returns driven by industrial diversification and demographic growth. Older industrial regions continue to experience negative or near zero IRRs.

These findings demonstrate that China's real estate market functions as a mosaic of regional submarkets rather than a unified, homogeneous national system. The paper concludes that continuous IRR monitoring is essential for valuation transparency, investment strategy formulation, broader economic growth, and evidence-based policy making.

1. Introduction

1.1 Background and Rationale

The Internal Rate of Return (IRR) has long been regarded as a cornerstone metric for evaluating the profitability and attractiveness of real estate investments. It represents the discount rate that represents the present value of an investment's future cash inflows and outflows, thereby integrating both profitability and the time value of money. In valuation and financial analysis, IRR provides a holistic perspective of an asset's total return over its holding period, encompassing rental income, capital appreciation, and transaction costs.

In professional valuation practice, IRR is also indispensable for discount rate determination in income capitalization and discounted cash flow models. A verified data based understanding of IRR distribution allows valuers to align assumptions with market realities and assists investors in benchmarking expected returns across property types and regions.

In sophisticated investment environments, standardized IRR surveys, such as those conducted by PricewaterhouseCoopers (PwC) in the United States, serve as essential reference points for both market participants and policymakers.

1.2 The Gap in China's Market Information

Unlike Western markets, China has historically lacked consistent, transparent, and empirically validated IRR benchmarks. Although the China Institute of Real Estate Appraisers and Agents (CIREAA) conducted initial national IRR surveys between 2013 and 2016, those efforts were interrupted for nearly eight years. During that hiatus the Chinese real estate market experienced unprecedented expansion, rapid financialization, and numerous policy interventions. Housing affordability concerns, population migration, and shifting industrial structures altered local investment environments, while the absence of verified IRR data limited the ability of professionals to measure actual returns objectively and provide sound advice on rational, wholistic market development.

By 2024 policymakers and analysts recognized that the real estate sector, long a pillar of China's economy, was entering a period of fundamental structural adjustment. The combination of demographic slowing, tighter credit, and regulatory control created an urgent need for a verified data based, objective understanding of market performance. The 2024 IRR survey was thus conceived as both a technical study and a policy instrument. The IRR survey aimed to establish an empirical foundation for measuring investment performance in this new environment and to provide guidance for valuation practice under market conditions across the inevitable market cycles.

1.3 Purpose and Scope of the Study

The 2024 survey commissioned by CIREAA encompassed 25 major cities representing China's geographic and economic diversity, from coastal financial centers such as Shanghai and Shenzhen, to inland industrial and emerging hubs such as Xi'an, Nanning, and Lanzhou. The survey focused on three primary property categories – residential, office, and retail and collected data directly from market participants through senior licensed appraisers to ensure accuracy.

The study analyzed more than 7,500 properties, generating over 90,000 cash flow data points that covered purchase price, annual rental income, maintenance cost, and resale value. The IRR of each property was computed using a standardized model distributed to all participating firms, allowing for direct comparison across regions.

This paper presents:

- (1) An overview of the theoretical and methodological background of IRR application in real estate valuation
- (2) The design and execution of the 2024 survey

- (3) A national summary of findings
- (4) Detailed case analyses of six representative cities including Beijing, Shanghai, Xi'an, Nanning, Lanzhou, and Shenzhen
- (5) A comprehensive discussion of the implications for investors, valuers , and policymakers.

1.4 Conceptual Definition of IRR

The IRR (Internal Rate of Return) is defined by the standard financial equation:

$$NPV(i, N) = \sum_{t=0}^N \frac{R_t}{(1 + i)^t}$$

where (R_t) represents the net cash flow in year (t), and (i) represents the IRR. When the net present value (NPV) equals zero, (i) reflects the rate of return achieved by the investment.

For example, if an investor purchases a property for RMB 1 million and earns net rental incomes of RMB 30,000, 33,000, 36,000, 39,000, and 41,000 over five years before selling it for RMB 1.2 million, the calculated IRR is approximately 7.02 percent. This figure represents the factual annualized yield derived from verified market transaction. By aggregating such data across thousands of cases, the 2024 survey provides an accurate portrait of China's property investment performance.

1.5 Significance of the 2024 Survey

The re-launch of the CIREAA IRR Survey marks an important milestone for both the valuation profession and broader market transparency. First, it strengthens the empirical foundation of discount rate determination. Valuers who previously relied on fragmented, speculative or outdated references, can now calibrate models to real observed returns. Second, it introduces a systematic method for data verification through cross checking and statistical validation. Third, it supports evidence-based policy formulation by allowing regulators to monitor local market conditions through a standardized performance indicator created by senior licensed professionals.

Beyond professional circles, the survey contributes to public transparency and trust. The differentiation of IRR levels across regions provides insights into investment risk, market segmentation, and the structural health of urban economies. Cities with persistently low or negative IRRs may indicate economic stagnation, oversupply or misallocation of capital. Whereas moderate positive IRRs typically signify balanced growth and stability. The survey's methodological rigor ensures that such inferences are based on actual data rather than anecdotal observation or bias.

1.6 Organization of the Paper

Section 2 reviews the conceptual and historical background of IRR measurement in China's real estate sector. Section 3 outlines the survey's design, sampling framework, and reliability controls. Section 4 summarizes the national IRR distribution. Section 5 presents six detailed case studies illustrating regional dynamics. Section 6 discusses the broader implications, and Section 7 concludes with observations on future research and policy development.

2. Literature Review

2.1 Theoretical Basis of IRR in Real Estate Valuation

IRR is among the most accepted financial indicators for assessing real estate investment performance because it integrates both the magnitude and timing of cash flows. Unlike the capitalization rate, which represents a snapshot of annual income relative to price, IRR accounts for the complete investment cycle, including acquisition, operation, and disposition. It thus captures the temporal structure of value creation.

In real estate valuation, IRR bridges the gap between investment analysis and valuation practice. It provides a concrete metric for discount rate calibration in discounted cash flow (DCF) models, enabling valuers to translate market evidence into valuation assumptions. A reliable IRR benchmark is therefore critical: it ensures that discount rates used in valuations reflect actual investor behavior rather than subjective judgment. When observed over time, changes in IRR also indicate shifts in risk perception, liquidity conditions, and market maturity.

2.2 International Practice

In many Western markets, national-level IRR surveys have long been established. PricewaterhouseCoopers (PwC) publishes the Real Estate Investor Survey in the United States each quarter, compiling expected IRR ranges for multiple property sectors. The Royal Institution of Chartered Surveyors (RICS) in the United Kingdom also integrates IRR benchmarks into its valuation guidance notes. These continuous data series enable analysts to track business cycle patterns and adjust pricing models accordingly.

Japan relies on property price indices such as the Residential Property Price Index and the Commercial Property Price Index. While based on data surveys, these indices do not necessarily reflect IRR.

Compared with these mature systems, China's market historically lacked transparent, verified data on realized returns. Many investors relied on anecdotal figures or on short term rental yields that did not capture full holding period returns. The absence of reliable IRR benchmarks limited both professional accuracy and academic research on real estate performance.

2.3 Evolution of IRR Surveys in China

CIREAA established in 1994 has been the key institution promoting professionalism in China's valuation industry. Between 2013 and 2016, it conducted annual national IRR surveys covering major cities, which served as reference for discount rate selection. These surveys provided early evidence of regional variation. Coastal cities generally exhibited higher IRRs than inland ones reflecting differential capital access and market maturity.

After 2016 however, the survey program was suspended amid administrative restructuring and data sharing challenges. During that period, rapid expansion of the housing market, speculative investment, and the proliferation of local restrictions made the lack of empirical benchmarks increasingly problematic. The 2024 relaunch thus restored a crucial empirical tool for both valuation and policy research.

2.4 Contributions of the 2024 Survey

The 2024 CIREAA IRR Survey differs from its predecessors in four important ways:

- (1) *Empirical Scope*: it covers twenty-five major cities across six economic regions, ensuring national representativeness.
- (2) *Data Authenticity*: it relies on verified transaction and rental information collected directly from market participants by senior licensed appraisers.
- (3) *Standardized Methodology*: all participants used a unified Excel model that automatically calculated IRR and performed statistical checks.
- (4) *Analytical Purpose*: it extends beyond descriptive reporting to include comparative regional analysis and identification of structural patterns.

Through these improvements the 2024 survey not only fills an empirical gap but also contributes to international comparability by aligning with established research standards.

3. Survey Design and Methodology

3.1 Objectives

The 2024 CIREAA IRR Survey had three primary objectives:

- (1) To measure the actual, realized internal rates of return of investment properties transacted in 2024 across major Chinese cities.
- (2) To establish a data benchmark for valuers in determining appropriate discount rates.
- (3) To generate data that can be used by policymakers, investors and analysts to monitor regional disparities and identify structural risks in the real estate sector.

3.2 Sampling Framework

The survey employed a stratified, multistage sampling design. Twenty-five cities were selected based on economic importance, population size, and geographic distribution. These included first tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen; fast growing provincial capitals such as Xi'an, Wuhan, and Chengdu; and representative smaller centers such as Nanning, Beihai, and Lanzhou.

Each city was subdivided into ten market areas to capture intra city variation. Within each market area, at least ten residential, ten office, and ten retail properties were selected for investigation. This produced approximately 300 properties per city and an overall total of around 7,500 properties nationwide. The dataset included properties with holding periods ranging from five to fifteen years, providing a rich temporal profile of returns.

For each property, the senior licensed appraisers collected data on:

- (1) Acquisition transaction prices and acquisition dates
- (2) Annual net rental income (after operating costs)
- (3) Holding period and major repairs
- (4) Sale price and transaction costs

The resulting dataset contained roughly 90,000 individual cash flow entries.

3.3 Data Collection and Verification

One of the critical challenges in Chinese and most developing markets is that real estate data collection is distorted by tax motivated underreporting of actual transaction prices in official records. To overcome this problem, CIREAA required that all data be verified through direct market interviews.

Licensed appraisers contacted multiple stakeholders including developers, brokers, lenders, and investors to confirm actual transaction prices and rental incomes. Each city engaged at least two independent appraisal firms. The firms were required to cross verify one another's datasets, ensuring mutual accountability.

Before the fieldwork began, CIREAA organized a two-day national training workshop in Beijing. This program clarified definitions, established data standards, and explained uniform verification procedures. By using licensed professionals rather than survey enumerators, CIREAA ensured that respondents possessed both market knowledge and technical competence.

3.4 Reliability Control

Reliability was maintained through several mechanisms:

- (1) Standardized data forms: all market researchers used identical templates to minimize interpretation differences.
- (2) Dual firm verification: at least two independent firms in each city collected overlapping samples and cross-checked entries.
- (3) Central review: CIREAA's headquarters reviewed outliers and inconsistencies, requesting supplementary documentation when necessary.
- (4) Statistical testing: distributions were checked for logical consistency; extreme IRRs were flagged and reexamined.

This rigorous process ensured that only verified and internally consistent datasets were included in the final analysis.

3.5 IRR Calculation

All IRRs were computed using the following formula:

$$NPV(i, N) = \sum_{t=0}^N \frac{R_t}{(1 + i)^t}$$

where (R_t) is the net cash flow in period (t) (including negative acquisition cost and positive net operating income and sale proceeds), and (i) is the IRR. The Excel model distributed by CIREAA automatically solved this equation using iterative approximation.

For each property, verified cash flow data was entered. The model then calculated the IRR, city level mean, median, and standard deviation. A second layer of computation aggregated results by property type, producing benchmark ranges (e.g., residential IRR in Beijing: 1.87–3.27%).

3.6 Data Processing and Statistical Analysis

After local verification, all datasets were uploaded to a centralized platform for aggregation. CIREAA's analysis team conducted several statistical procedures:

- (1) Descriptive statistics to summarize IRR ranges, averages, and deviations by city and property type.
- (2) Comparative analysis to identify regional clusters with similar return characteristics.
- (3) Outlier diagnostics to examine anomalies and assess potential causes such as misreporting or unique local events.
- (4) Qualitative correlation with macroeconomic indicators such as GDP growth, population change, and policy intensity.

The combination of quantitative computation and qualitative interpretation produced a multidimensional understanding of the Chinese real estate market's investment performance.

4. National Results Overview

The national results of the 2024 China Real Estate IRR Survey reveal a highly segmented investment landscape characterized by significant regional disparities and variations across property types. Across the 25 surveyed cities, residential IRRs ranged from slightly negative to nearly 9 percent, while office IRRs spanned roughly 3 to 7 percent and retail IRRs varied from 4 to over 8 percent. Such heterogeneity reflects the complex interplay of local economic structures, policy regimes, and investor sentiment that define China's urban property markets.

	Cities	Residential	Office	Retail Commercial
1	Beijing	1.87% to 3.27%	3.17% to 5.23%	5.20% to 6.87%
2	Shenyang	1.99% to 4.74%	2.86% to 4.29%	1.38% to 5.77%
3	Harbin	2.74% to 3.26%	1.95% to 3.39%	3.06% to 4.42%
4	Hohhot	-0.92% to -3.07%	-3.27% to 0.3%	-4.74% to -2.82%
5	Xi'an	3.85% to 8.18%	4.87% to 7.15%	4.95% to 7.53%
6	Lanzhou	-3.63% to -4.67%	-3.12% to -4.20%	-3.62% to -4.76%
7	Jinan	4.93% to 7.26%	4.39% to 3.20%	2.29% to 4.13%
8	Qingdao	2.67% to 3.85%	3.72% to 5.78%	4.92% to 9.25%
9	Nanjing	4.32% to -1.94%	-3.32% to -1.88%	3.78% to 6.33%
10	Suzhou	-3.07% to -1.89%	6.71% to 7.13%	3.97% to 6.85%
11	Wuxi	3.16% to 4.19%	4.60% to 5.22%	3.95% to 6.24%
12	Shanghai	5.29% to 7.24%	4.14% to 5.73%	5.90% to 6.41%
13	Hangzhou	3.65% to 4.95%	6.02% to 12.44%	N/A
14	Xiamen	-2.68% to -1.50%	-1.28% to 0.21%	0.87% to 2.40%
15	Hefei	5.60% to 8.98%	3.56% to 6.75%	3.88% to 6.77%
16	Wuhan	3.96% to 6.31%	3.76% to 4.65%	3.45% to 5.14%
17	Changsha	5.81% to 6.73%	6.97% to 7.14%	6.92% to 7.39%
18	Guangzhou	4.57% to 6.18%	-2.55% to 0.24%	N/A
19	Shenzhen	1.31% to 3.66%	2.22% to 3.79%	4.43% to 4.94%
20	Haikou	-1.12% to 1.29%	1.88% to 3.01%	0.56% to 3.43%
21	Nanning	6.89% to 7.50%	2.37% to 4.28%	4.06% to 8.06%
22	Beihai	-3.26% to -1.43%	N/A	-2.18% to -0.77%
23	Chengdu	3.47% to 4.36%	5.47% to 6.31%	5.05% to 6.05%
24	Chongqing	2.34% to 4.49%	2.56% to 4.92%	3.16% to 6.79%
25	Kunming	-2.23% to -0.48%	-5.46% to -3.52%	5.49% to 5.89%

4.1 General Patterns

In first tier cities including Beijing, Shanghai, Guangzhou, and Shenzhen returns were relatively modest but stable. These cities feature mature markets, high entry costs, and stringent and enforced regulations that controlled speculative demand. Although IRRs in these locations were lower than those in emerging regions, they were associated with higher liquidity and lower risk sought by institutional investors.

By contrast second tier and frontier cities such as Xi'an, Nanning, Hefei, and Chengdu, demonstrated higher IRRs, often exceeding 7 percent for residential and retail assets. These returns were driven by strong population inflows, infrastructure investment, and industrial diversification. However, such high yields also reflected elevated volatility, limited data transparency and higher risks that could be attractive to opportunistic investors.

Finally, a small number of cities, particularly in the industrialized but slow growing northeast and northwest, recorded negative IRRs. Lanzhou and Hohhot, for example, showed consistent underperformance due to population decline, oversupply, and limited investor confidence. These cities require master plans, innovative new uses and other interventions to spur long term growth and stability.

4.2 Regional Differentiation

The survey results demonstrate that China's property market functions as a patchwork of regional submarkets.

- (1) Eastern coastal region: generally moderate but stable returns, supported by developed financial systems, risk pricing and diversified demand.
- (2) Central and southwestern regions: relatively high IRRs due to ongoing urbanization and industrial relocation from coastal zones.
- (3) Northeast and northwest: persistently weak or negative IRRs linked to structural economic stagnation and outmigration.

4.3 Property-Type Differences

Across all regions retail properties tended to generate the highest IRRs, followed by office and residential properties. Retail's superior performance reflected flexible rental structures and adaptive reuse of space in mixed use developments. Residential assets, heavily constrained by policy, displayed the lowest IRRs but retained their status as low risk, long term holdings.

5. Case Studies

The following six city case studies illustrate the multifaceted nature of China's real estate market. They highlight how local economic conditions, demographic trends, and policy environments interact to shape investment returns.

5.1 Beijing: Stability Under Tight Control

Beijing's property market represents the most heavily regulated urban environment in China. As the nation's political and cultural capital, its real estate sector is shaped by administrative priorities that emphasize stability over profit.

In 2024, residential IRRs ranged from 1.87% to 3.27%, among the lowest nationwide. The limited return is the result of restrictive purchase policies, caps on mortgage lending, and stringent resale limitations. The results also reflect high asset prices relative to income that further compress yields, as rental income lags behind capital value appreciation. Yet the city's market remains resilient. Institutional investors continue to hold significant assets in Beijing because of its strong liquidity and minimal default risk.

Office properties achieved slightly higher IRRs ranging from 3.17% to 5.23%. Demand is supported by government agencies, public institutions, and the headquarters of state-owned enterprises. Vacancy rates remain low in core districts such as Xicheng and Chaoyang, although newer peripheral office zones have struggled to maintain full occupancy. Retail property IRRs averaged 5% to 7%, bolstered by tourism and cultural spending.

Overall, Beijing's real estate market demonstrates the tradeoff between control and profitability. Investors accept lower returns in exchange for stability, liquidity, and long-term policy predictability.

5.2 Shanghai: Balanced Maturity

Shanghai exemplifies a mature and diversified real estate market. Residential IRRs in 2024 ranged between 5.29% and 7.24%, while office IRRs were between 4.14% and 5.73%. Retail properties achieved IRRs around 6%, driven by the city's dynamic consumer economy.

As China's financial center, Shanghai benefits from deep capital markets, a broad tenant base, and progressive urban planning policies that encourage mixed use developments. While prices remain high, the city's flexible policy environment allows for a balanced relationship between regulation and market openness. Investors value Shanghai's transparency, data availability, and global connectivity.

Unlike Beijing where policy dominates, Shanghai's market operates under a cooperative model between public planning and private enterprise. Long term investment strategies, such as those adopted by insurance funds and real estate investment trusts (REITs), have contributed to moderate yet consistent returns. The stability of yields suggests a mature equilibrium where profitability and sustainability are balanced.

Shanghai's retail sector continues to evolve rapidly. The combination of experiential retailing, digital integration, and tourism-driven consumption has enhanced asset performance. While the IRR does not reach the double-digit figures of emerging markets, its steadiness reinforces Shanghai's reputation as China's most investable city.

5.3 Xi'an: Growth and Transition

Xi'an provides a striking contrast to the established metropolises of the east. As a major inland hub in central China, the city has progressively transitioned from a historical industrial base to a growing center of technology, education, and logistics.

The 2024 survey recorded residential IRRs between 3.85% and 8.18% and office IRRs from 4.87% to 7.15%, among the highest of the inland cities. Rapid population growth, infrastructure investment, and government support for innovation zones have spurred demand across all property sectors. Xi'an's universities and research institutions have attracted high tech firms and startups increasing the need for modern office space and mid-range housing.

Retail properties also performed strongly, with IRRs exceeding 7% in prime areas. Consumer spending has expanded alongside rising middle class income. Developers have successfully introduced mixed use developments combining retail, residential, and leisure components. However, the city also faces challenges. Peripheral projects built during earlier speculative booms remain underoccupied, and the balance between rational expansion and sustainability remains fragile.

Xi'an's experience demonstrates the dual nature of China's inland urbanization: high growth potential accompanied by significant volatility and risk. Nonetheless, the city has emerged as a vital growth pole in central China's evolving property landscape.

5.4 Nanning: Southern Expansion and Cross Border Opportunity

Nanning, the capital of Guangxi province, achieved some of the highest IRRs in the 2024 survey. Residential properties ranged from 6.89% to 7.50% and retail assets reached up to 8.06%. The city's geographical position gives it a unique advantage in logistics, trade, and investment.

Integration with the China ASEAN Free Trade Zone has driven rapid industrial growth, expanding both the commercial and residential sectors. Infrastructure projects such as high-speed rail and the development of logistics corridors have improved accessibility and investor confidence.

Retail demand, bolstered by cross border commerce and rising tourism, has provided a robust foundation for returns. Nanning's government has also adopted pro-investment policies, offering land incentives and simplified approval procedures. These measures have attracted developers from neighboring provinces and abroad. However, the city's dependence on external demand introduces potential volatility and risk. Any slowdown in trade or manufacturing activity could quickly impact property performance.

Despite this vulnerability, Nanning remains one of the most dynamic frontier markets in southern China. Its strong IRRs reflect the optimism surrounding its future integration with broader regional economies.

5.5 Lanzhou: Structural Decline in the Northwest

Lanzhou stands at the opposite end of the performance spectrum. As an industrial city in northwest China, it has faced sustained population outflow, limited economic diversification, and sluggish real estate demand. The survey recorded residential IRRs between -4.67% and -3.63% and office IRRs around -4.2%, the lowest figures in the national dataset.

The city's challenges are structural. Its economy remains dominated by traditional heavy industries, while private sector development remains limited. Property oversupply is acute, especially in newly developed districts where vacancy rates exceed 40 percent. Rental yields have declined sharply and resale activity is minimal.

Despite occasional government stimulus such as infrastructure investment and housing subsidies, Lanzhou's fundamental market conditions remain weak. Many investors have shifted focus to core assets in other provinces. Lanzhou thus serves as a cautionary case of how industrial rigidity and demographic decline erodes traditional real estate profitability.

The negative IRR values do not merely indicate market downturns but structural contraction. They suggest that property investment in such regions currently functions more as a social policy instrument and need new thinking, innovation, and structured interventions to attract opportunistic investors.

5.6 Shenzhen: Innovation and Volatility

Shenzhen represents China's most innovative and entrepreneurial city. Once a fishing village, by government design it has grown into a global technology hub hosting major firms in telecommunications, finance, and artificial intelligence. Yet despite its economic dynamism, Shenzhen's IRRs are relatively modest: residential returns ranged from 1.31% to 3.66%, and office IRRs were between 2.22% and 3.79%.

Several factors explain this paradox. First, property prices in Shenzhen have escalated dramatically over the past decade compressing yields. Second, government measures to curb speculation have limited short term gains.

Third, excessive new supply in suburban innovation parks has increased vacancy rates. Nonetheless, these moderate IRRs mask significant underlying stability. Investors perceive Shenzhen as a long-term innovation ecosystem rather than a short-term trading market.

Retail properties in Shenzhen performed slightly better averaging around 5% IRR supported by high consumption levels and the integration of online and offline retail models. The city's unique advantage lies in its ability to adapt quickly; developers and policymakers cooperate closely to adjust zoning, pricing, and infrastructure to evolving market needs.

Overall Shenzhen illustrates the continuing transition from a rapid growth frontier to a sophisticated, innovation driven metropolis. While its IRRs may appear low, they represent sustainable equilibrium returns within a mature market structure.

5.7 Comparative Synthesis

The six case studies collectively demonstrate the diversity of China's property investment landscape. To synthesize and summarize:

- (1) Beijing and Shanghai exemplify regulated maturity: low but stable IRRs underpinned by liquidity and institutional depth.
- (2) Xi'an and Nanning highlight emerging market dynamism with higher but riskier returns driven by urbanization and market diversification.
- (3) Lanzhou represents structural weakness and declining profitability in stagnant industrial economies and the need for new thinking.
- (4) Shenzhen embodies planned, innovation led and dynamic growth transitioning toward stability.

Together these cases confirm that China's real estate market cannot be generalized under a single national narrative. Instead, it operates as an interconnected but regionally fragmented system influenced by economic structure, policy environment, and investment culture.

6. Discussion and Analysis

The 2024 China Real Estate IRR Survey provides empirical evidence of both the progress and challenges that define the nation's property markets. The six case studies, together with the national dataset, reveal a complex structure where profitability, regulation, and development vary widely among regions. In this section, three major analytical themes emerge: (1) the persistence of regional fragmentation, (2) the decisive influence of government regulation and policy control, and (3) the broader interpretive power of IRR as a market health indicator.

6.1 Market Fragmentation and Regional Barriers

One of the clearest insights from the survey is the extent of market fragmentation. Despite China's nationwide market reforms and increasingly interconnected financial system, local real estate markets remain largely independent. Cross regional investment which is common in Western economies remains relatively limited. Instead, most investors operate within their home provinces, constrained by differences in regulations, data transparency, and financing access.

This fragmentation is reflected in the disparity of IRR results: while Beijing and Shanghai report residential IRRs near 3%, cities such as Nanning and Xi'an show values above 7%. These differences are not simply cyclical but structural. They stem from uneven regional development, the varying strength of local governments, and differing levels of infrastructure and population mobility.

In the eastern coastal region, capital markets and infrastructure are highly developed leading to lower risk and therefore lower IRRs. In contrast, western and southern frontier markets compensate investors for higher uncertainty with greater returns. This risk return differentiation is a hallmark of maturing markets, but in China's case, the magnitude of variation suggests incomplete integration.

The fragmentation is further reinforced by policy boundaries. Each municipality applies its own rules for home purchases, land use, and tax incentives. These localized policies often prevent capital from flowing freely between high and low return areas. Consequently, the national market behaves less like a single ecosystem and more like a constellation of semi-autonomous subsystems.

Over the long term, continued market fragmentation may limit efficiency and contribute to regional inequality. Policymakers seeking to stabilize the real estate sector will need to encourage data sharing, standardize regulatory frameworks, and promote cross regional investment vehicles such as Real Estate Investment Trusts (REITs).

6.2 The Dominance of Regulation

A second theme that emerges from the data is the dominant role of regulation in shaping market performance. Government intervention remains one of the defining characteristics of the Chinese property system. Whereas in many global cities IRR is primarily determined by market fundamentals including rent growth, construction cost, and vacancy rates; in China policy constraints often determine profitability more directly.

For example, in Beijing, strict purchase limits and high mortgage down payment ratios have curbed both speculative activity and legitimate investment. As a result, IRRs are low but stable. In contrast, in Nanning and Xi'an where restrictions are lighter returns are higher but more volatile.

This relationship indicates that government policy currently acts as the primary risk management mechanism: tighter control reduces return volatility but also suppresses profitability. The tradeoff between stability and growth is clearly visible across regions. Beijing and Shanghai occupy the “controlled stability” end of the spectrum, while cities such as Nanning represent the “liberalized volatility” end.

Regulation also shapes investment structure. For example, land use policies affect the composition of new developments. In highly regulated markets, land is allocated primarily to large developers or state-owned enterprises, leading to slower but more predictable returns. In emerging cities where land use auctions are open to private and foreign investors, rapid turnover produces higher IRRs but also more volatile cyclical fluctuations.

Finally, personal relationships between real estate investors and local and central authorities are paramount and influence IRR. Investors with stronger connections receive preferential treatment and get higher IRR. The government controls all the land use rights and some investors get land use rights at lower prices. This dynamic explains why some properties could achieve higher IRR than average despite location in the same city or the same type properties.

6.3 IRR as a Market Health Indicator

Beyond serving as an investment metric, IRR also functions as a barometer of market health. Sustained positive IRRs generally indicate transparency and balanced supply and demand conditions, while negative or excessively high IRRs may signal instability and insider influence.

Negative IRRs such as those observed in Lanzhou reflect structural stagnation: weak demand, population loss, and oversupply. These cities face challenges similar to deindustrialized regions in other countries, where property becomes less an investment asset and more a social utility.

Moderate IRRs (4–6%) found in Shanghai and Xi’an correspond to sustainable equilibrium. They suggest healthy demand supported by economic fundamentals rather than speculation. Excessive IRRs (above 8%) as seen in frontier markets like Nanning, may point to temporary overheating or dependence on narrow economic drivers such as cross border trade.

By tracking IRR trends over time, valuers, analysts, and policymakers can identify emerging risks early. A downward trend across multiple sectors, for example, could signal tightening credit or declining affordability. Conversely, persistently high IRRs in a single market could indicate speculative pressure requiring macroprudential intervention.

Therefore, IRR serves not only as a central valuation input but also as a useful policy diagnostic tool that provides as a concise, empirical measure connecting micro level investment data with macroeconomic governance.

6.4 The Interplay of Economics, Demography, and Policy

Another insight from the survey concerns the triangular relationship between economic structure, demographic movement, and policy orientation. Cities that successfully attract both population inflows and diversified industries tend to maintain moderate, sustainable IRRs. For instance, Xi'an's high technology sectors and large student population create steady housing demand and rental growth, while Nanning benefits from cross border trade.

By contrast, regions with outmigration or single industry dependence experience negative IRRs. Lanzhou's weak labor market and demographic shrinkage exemplify this. These patterns suggest that long term real estate profitability depends more on demographic and industrial resilience and smart master planning than on short term construction cycles.

Population mobility also mediates the impact of policy. In restrictive cities like Beijing and Shenzhen, continued inflow of skilled workers sustains baseline demand even when policy tightens. This natural demand cushion differentiates them from smaller markets, where policy shifts can quickly trigger oversupply.

6.5 Implications for Professional Practice

For valuation professionals the findings of the 2024 IRR Survey provide tangible benchmarks for setting discount rates. The observed ranges allow valuers and analysts to align their assumptions with actual investor performance rather than relying on outdated heuristics. For instance, in a DCF analysis for a Beijing residential property, a discount rate between 3% and 5% would now reflect empirical market reality, whereas an equivalent analysis for Nanning might justify a rate closer to 7% or 8%.

The data also improve the credibility of valuations used in financial institutions and courts where discount rate justification is often required. By grounding valuation parameters in national survey data, experts can enhance both accuracy and transparency.

Furthermore, the survey underscores the importance of data governance in professional practice standards. Licensed appraisers through systematic participation in such surveys become not only better practitioners but also contributors to national market intelligence and broader economic growth.

6.6 Implications for Policy and Investment Strategy

For policymakers, IRR serves as an empirical indicator of the effectiveness of urban planning, land supply, and housing policy. Monitoring regional IRR trends allows governments to detect imbalances early. A city showing a sharp decline in IRR may face oversupply or weakened demand, prompting targeted fiscal or credit measures. Conversely, cities with persistently high IRRs might require macroprudential tightening to prevent speculative bubbles.

For investors the data and accompanying analysis reveal where opportunities and risks lie. Stable, low IRRs in Beijing and Shanghai appeal to institutional investors seeking safe, income producing assets. High IRRs in Nanning or Xi'an may attract opportunistic capital focused on growth. Understanding the structural drivers behind these returns enables more rational capital allocation and diversification strategies.

In the long term, national and international investors alike will benefit from the establishment of a continuous IRR monitoring mechanism. Just as PwC's surveys guide investment decisions in the United States, CIREAA's ongoing surveys could anchor China's valuation and investment standards within a globally comparable framework.

7. Conclusion

The 2024 Survey of Real Estate IRR in China marks a critical milestone in the professionalization of market analysis and valuation practice. Conducted under the supervision of CIREAA, the survey collected verified, empirical data from 25 major cities and over 7,500 properties. The resulting 90,000 data points provide a factual benchmark for understanding how real estate investments actually perform across China's diverse urban landscape.

The findings are both encouraging and cautionary. They confirm that China's real estate market has matured into a complex, regionally diversified system rather than a monolithic national sector. However, they also expose persistent structural challenges: regional inequality, demographic imbalance, and continued policy induced segmentation.

From an analytical perspective, IRR emerges as a multidimensional indicator which simultaneously measuring profitability, risk, and systemic health. The survey evidence shows that:

- (1) First tier cities such as Beijing and Shanghai have entered a phase of controlled equilibrium, offering stability at the cost of reduced yield.
- (2) Emerging inland and southern cities such as Xi'an and Nanning deliver higher returns driven by growth but also face volatility and higher risks.
- (3) Old industrial centers such as Lanzhou remain in decline, reflecting deep seated structural inefficiencies.
- (4) Technology hubs such as Shenzhen embody the shift toward innovation driven, low yield but sustainable maturity.

Together these observations illustrate the broader trajectory of China's property market as it moves from rapid expansion toward long term normalization. For valuation professionals and analysts, the survey provides a concrete empirical foundation for determining discount rates and benchmarking returns. For policymakers it offers an objective tool for diagnosing market health and designing targeted interventions. For investors it presents a nuanced map of opportunities and risks across the national landscape.

The next step for CIREAA and the professional community will be to institutionalize the IRR survey as an annual series, allowing continuous monitoring of trends and correlations with macroeconomic indicators. Over time, the cumulative data will deepen understanding of how real estate markets respond to government policy, demographic shifts, financial reforms, and technological change.

Ultimately the 2024 IRR Survey demonstrates that transparency, standardization, and professional rigor are not merely technical goals but foundational elements of sustainable property market development. By quantifying the realities of investment performance, the continuing gap between policy aspiration and market truth can be bridged and significantly support China's ongoing transition from a growth only driven strategy to a stable, broad based real estate market that leads to overall economy prosperity.