标普信评

S&P Global

China Ratings

CSRC Refinancing Support Looks to Ease Pressure on Property Developers

December 2, 2022

ANALYST

Renyuan Zhang
Beijing
+86-10-6516 6028
renyuan.zhang@spgchinaratings.cn

On November 28, 2022, the China Securities Regulatory Commission (“CSRC”) issued a number of measures on capital market financing for real estate developers. These included a green light for M&A activity and related financing support for listed developers, resumption of refinancing for listed real estate companies, optimization of refinancing policies for Hong Kong-listed property developers, promotion of issuance of REITs and the establishment of private equity funds.

We believe these measures aim to resolve existing problems in the industry, rather than stimulate an uptick in ales of residential property. Targeting developers’ current assets, the measures look to support areas such as financing for existing housing projects and acquisitions etc.

Unlike previous measures that focused on ensuring delivery of property projects, these latest measures clearly reflect the regulatory stance towards ensuring delivery and supporting high-quality developers. These policies and measures remain under the overarching stance of "housing is for living in, not speculation". Aiming to give high-quality developers greater flexibility on transferring funds, they should provide some breathing space at a time when sales remain at a low level. Under the latest measures, funds raised by developers can be allocated not only to ensuring project delivery, but also supplementing working capital, servicing outstanding debt obligations and improving balance sheets. Homebuilders however cannot put the funds towards land acquisition or development of new projects.

We expect the CSRC’s measures to help stabilize the credit quality of high-quality developers and help restore market confidence. However, the scope, scale and timing of implementation of the measures need to be monitored. If they prove effective, the measures can help improve developers’ balance sheets to a certain extent, and have a positive influence on reducing financial leverage.

However, these measures are still selective, and considering market forces, we expect high-quality developers to be the primary beneficiaries. Well-qualified developers with established governance structures and a strong focus on their primary business stand to benefit the most, while other homebuilders may not reap as many rewards from the measures. Any recovery in market confidence would largely be to the benefit of high-quality developers.

This report does not constitute a rating action.