

How China's Real Estate Investments Are Transforming and Growing Under Pandemic and Restrictive Policies

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Abstract. This study reviews and synthesizes the difficult status of investigating real estate in China. Previous studies have included different aspects of factors that contribute to China's real estate woes, including epidemic effects, market effects, policy effects, and many other aspects. And each factor has played an important role in influencing the current predicament of Chinese real estate. This paper evaluates the epidemic impact, market impact, policy impact, and other factors work together to cause China's current real estate dilemma. The current analysis shows that the combination of these factors has led to a vicious cycle of high debt and low liquidity in Chinese real estate.

Keywords: Financing difficulties, Liquidity crisis, Debt ratio, Restrictive Policy, Effective Regulation.

1. Introduction

1.1 Background

Since the end of the last century, China's economy has entered a new era. After decades of rapid development, China is once again at the intersection of new opportunities and challenges. Especially in the real estate market, there is excessive housing supply, and a large number of stock assets are not fully utilized. Due to the large stock of real estate assets that have been formed in China, it has become an established fact that real estate has entered the stock era from the incremental era. A large number of stock real estate assets, especially infrastructure assets, are in urgent need of revitalization due to their large capital occupation and poor liquidity. Moreover, the real estate sector in China has a significant impact on the country's slowing economy. Given that housing credit booms and busts played a significant role in previous global financial crises and recessions, China's real estate sector accounts for a much higher share of GDP than other economies. The Chinese central bank is fully aware that excessive household sector debt will continue to limit our ability to develop economically and jeopardize the stability and efficiency of the financial system. Local governments and real estate firms started looking into new real estate development models to maintain stable and orderly financing in the real estate market as a result of the dual challenges posed by policy and the market.

1.2 Related Research

Zheng applied a spatial econometric approach using ESDA (Exploratory Spatial Data Analysis) to observe the spatial dependence of real estate investment and economic development, and the study's findings highlighted a crucial trend of growth in the east and slow contraction in the west, suggesting that economically developed regions draw investment there in accordance with the law of economic development [1]. Tian et al. considered the impact of a pandemic as a quasi-natural experiment, examining the short-term impacts of this severe public health crisis on the residential land and housing markets in the Yangtze River Delta using a difference-in-differences model (DID). The authors came to the conclusion that the faster cities recover from COVID-19 pandemic stress, and this conclusion was supported by an empirical study of a sample of new homes [2]. Jiang et al. used the method suggested by Diebold and Yilmaz to create a spillover index to gauge the financial risk of the Chinese real estate market. They came to the conclusion that after 2016, China's real estate financial risk entered a downward adjustment cycle, and real estate financial risk was significantly reduced [3]. Zhao put forward pertinent countermeasures and recommendations for the development of China's REITs in the post-epidemic era, and came to the conclusion that the growth of commercial real estate

investment has changed the real estate market's vulnerable position, thereby enhancing the real estate market's risk resistance [4]. He studied four typical cases in the pilot phase of REITs in China and found that the current real estate market in China has problems such as excessive demand for housing, underutilization of a large amount of stock assets, and insufficient investment channels for households to accumulate wealth, and proposed solutions to provide a new business model for the real estate industry to utilize stock assets and broaden investment channels for households [5]. Luo compared and analyzed China's REITs with Singapore and Hong Kong and other parts of the world in the context of China's market fundamentals, regulatory environment and unique state-owned land regime and explored the potential opportunities and barriers to the introduction of REITs in China. The author summarized investment vehicles that suit the current and future needs of China's real estate industry [6]. Akinsomi studied and compared the year-to-date returns of the Global Return Index and the U.S. REIT sector with the year-to-date returns of the Global Return Index and the U.S. REIT sector, and concluded that the impact of covid-19 on REITs differed, with the largest losses in Europe and the United States and the smallest losses in Asia Pacific, and suggested that REITs should be invested in a sustainable manner [7]. Bonato et al. found that the EMVID index significantly improved the predictive performance of the HAR-RV model by exploring the addition of an infectious disease-related uncertainty-based metric (EMVID) to the HAR-RV model. The authors' findings suggest that incorporating infectious disease-related uncertainty into forecasting models can help improve the design of portfolios, including REITs, and have a significant impact on investors' investment judgments [8]. Fu et al. tested the impact of the economic policy uncertainty (EPU) index on the economic policy uncertainty (EPU) index between January 2012 and December 2018 by using the Granger Causality in Distribution test with three indicators of commodity-priced housing units, the number of completed subsidized housing units, and the amount of investment in subsidized housing units. China's subsidized housing market indicators from January 2012 to December 2018 and concludes that higher EPU levels have a negative impact on China's subsidized housing indicators. The authors recommend a variety of policies to attract private sector participation to mitigate the negative impact of EPU on the subsidized housing market and promote market-based mechanisms to achieve China's housing security goals [9]. Xia et al. has used the time-frequency connectedness network approach developed by Barunk and Köhlc to examine the dynamic properties of information spillovers in economic policy uncertainty. According to the authors' findings, volatility spillovers and payoffs are stronger over longer time periods (more than three months) than they are over shorter time periods (1 to 3 months). Tier 1 cities, EPUs, and stock markets are net transmitters of information spillovers in the long run, whereas Tier 2 and Tier 3 cities are net transmitters of information spillovers in the short run. The establishment of a market information system, as well as various risk segregation and housing management strategies for various city levels, are also recommended by the authors in order to improve timely market forecasting and policy implementation [10].

1.3 Objective

This study explores and studies in the relevant literature on the challenges and opportunities of China's real estate investment market in the context of pandemic and restrictive policies. The paper is structured as follows. First, the impact of pandemic and restrictive policies on China's real estate investment market is identified by reviewing previous studies by Tian et al. The next section of the review explores the exploration and research on the Chinese real estate investment market in terms of the financialization of urban construction and government de-financialization. The study then identifies once some of the investment characteristics specific to investors in the Chinese real estate market and issues specific to real estate investment in China. Future research could focus on how Chinese real estate investment will use domestic and international experience to blend Chinese characteristics to achieve the transition into a healthy and sound market. The concluding section summarizes the current research and discusses some recommendations.

2. Current status of real estate development in China

2.1 Real estate companies with high debt ratios face a vicious circle of debt repayment crisis due to financing difficulties.

A large number of real estate businesses focused on issuing bonds in order to expand between 2015 and 2016, as a result of the state's aggressive expansion approach to the real estate industry and the relaxation of financing restrictions. The culmination of the redemption of real estate debts began in January 2019, as real estate businesses accumulated and actively issued new bonds. The state loosened liquidity in the real estate sector in March 2019, allowing 40 real estate businesses to complete financing totaling \$102.42 billion. In the past, a home's financial qualities were more important than its residential qualities, and real estate companies frequently used the pre-sale system to recover funds in advance using the homebuyers' mortgage payments to gain greater leverage. As a result, hot money poured into the real estate market, driving up home prices and resulting in higher profits. The government released the "three red lines" policy, which clearly specifies the asset-liability ratio standards for real estate enterprises and makes clear requirements for interest-bearing liabilities and cash scale, limiting the financial attributes of real estate, in order to reverse the pattern of high debt, high turnover, and the pursuit of scale in the real estate industry, in 2020. Due to the policy guidance and the significant increase in defaults in the second half of 2020, many real estate companies filed for bankruptcy, which caused real estate stocks to drop sharply. The market value of 46 of the 50 listed real estate enterprises had decreased as of December 31, 2020, while only four had increased. The overall market value had decreased by more than 800 billion yuan in just one year, falling 22% to 2,876.71 billion yuan from 3,688.13 billion yuan in 2019. Both Beyoncé and Vanke A's market values decreased, with Beyoncé's falling by 18.58% and Vanke's falling by 8.33%. The People's Court Announcement Network reported that 396 real estate firms across the country issued bankruptcy announcements in 2021.

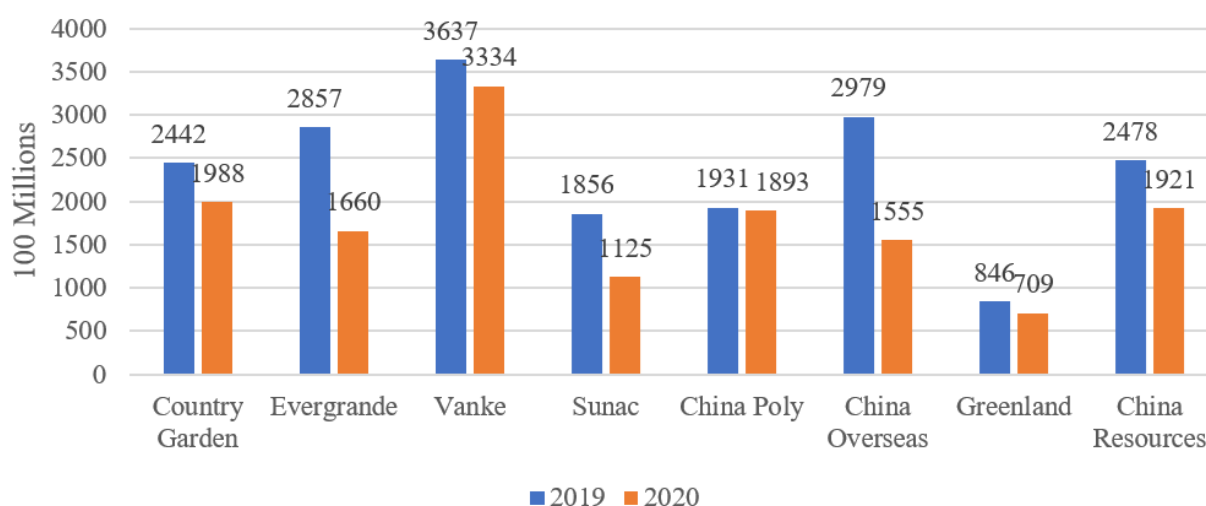


Fig.1 Changes in the market value of leading real estate stocks in 2019-2020

According to CRIC's data, the total area of problematic projects in 24 important monitoring cities by the end of 2021 will be about 2,468 square meters, or 10% of the total area of commercial and residential transactions.

The financialization of real estate is slowing down, investment properties are regulated, and the demand for housing is gradually declining. As a result, some housing enterprises are being demolished at a low rate. This is due to the country's continued emphasis on housing properties and tightening housing loan policies for residents. The downward spiral of high debt and high turnover real estate companies are unable to recover funds, projects cannot be started, and the number of subpar ones rises. Housing prices are slowing down as a result of changes in supply and demand, and real

estate companies are slowing down their payback. There will be a massive wave of defaults in the real estate sector between 2020 and 2022. Defaults by real estate businesses in 2020 totaled \$46.75 billion, up 159% from \$18.044 billion in 2019. Bonds denominated in US dollars have also been hit particularly hard by defaults. By the end of 2021, a total of 14 real estate firms had defaulted on 26 US dollar-denominated bonds, totaling \$8.65 billion.

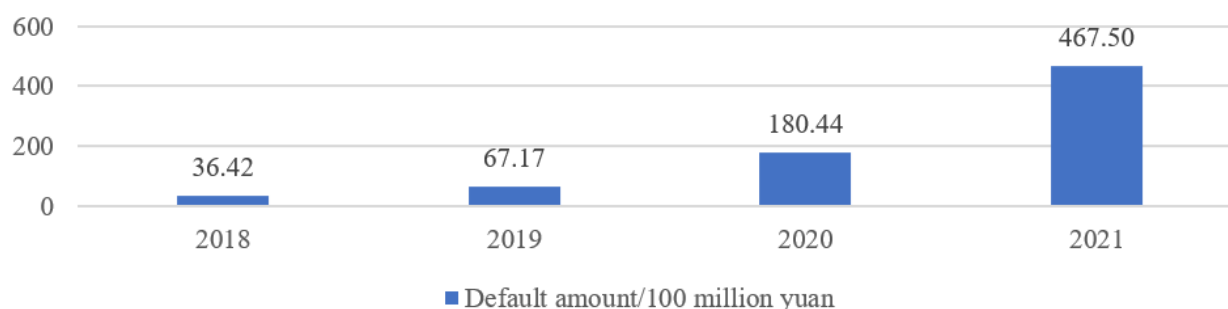


Fig 2. Default amount of housing companies from 2018 to 2021

2.2 Residents' willingness to buy homes shrinks.

According to data from the People's Bank of China, in 2021, personal consumption loans amounted to 2,410.29 billion yuan, or nearly 85%, of the total of more than 2.8 trillion yuan of household loans in Shanghai. Among the household consumer loans, housing loans are the core, reaching 166.7274 billion yuan. This means that in 2021, 58.38% of Shanghai's total household loans of more than 2.8 trillion yuan will be used by residents to purchase housing. However, in the first half of 2022, new loans to the Chinese household sector were weak, with an average monthly increase of nearly 400 billion yuan less year-on-year, and even in February and April, new medium- and long-term loans to the household sector recorded negative values. The lack of willingness of residents to lend was particularly evident in cities hit hard by the epidemic. In Shanghai, for example, loans to the household sector decreased by 10.564 billion yuan in the first half of 2022 compared to the beginning of the year.

According to the People's Bank of China's Urban Savers Questionnaire Survey 2018-2022, residents with a desire to purchase a home have continued to decline for four consecutive years.

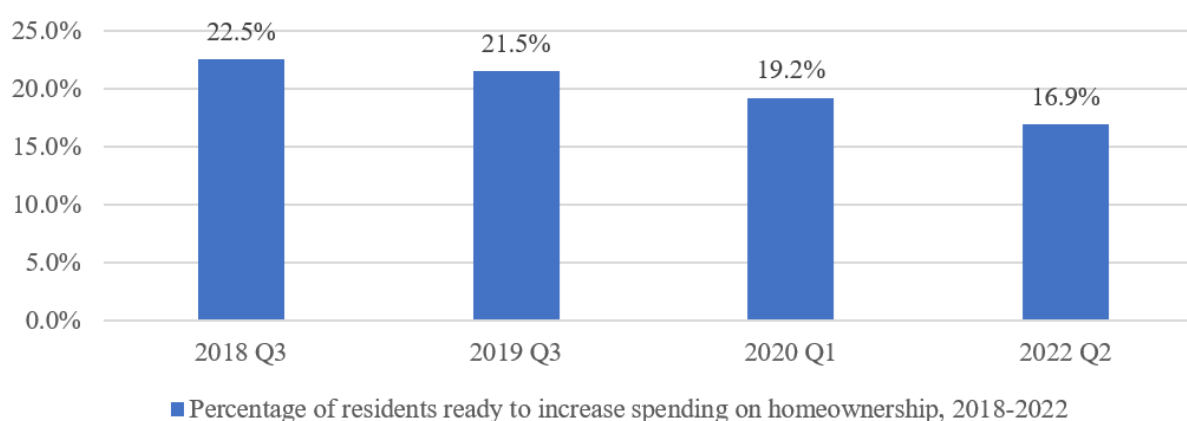


Fig 3. Percentage of residents ready to increase spending on homeownership, 2018-2022

A nationwide survey of 20,000 urban households in 50 cities was conducted by the People's Bank of China. According to the findings, this quarter's residents' income perception index was 44.5%, a decrease of 5.7 percentage points from the previous quarter. Only 10.8% of them (3.7 percentage points fewer than last quarter) believed their income had "increased" this quarter; 67.6% (3.9 percentage points fewer than last quarter) believed it was "basically the same;" and 21.7% (3.9 percentage points fewer) believed it had "decreased." Additionally, 21.7% of residents, up 7.6

percentage points from the previous quarter, believed their income had "decreased". The residents' income confidence index, which measures how confident they are about their future income, was 45.7% this quarter, down 4.3 percentage points from the previous quarter. Because of the epidemic's negative effects, residents' lower income expectations are closely related to their unwillingness to take out loans. Prior to the epidemic, demand-side regulation measures like mortgage interest rates were the primary factors influencing sales of commercial housing, and residents' income and expectations were stable. Since the epidemic, however, prospective homeowners are taking into account factors other than interest rates, placing a greater emphasis on their income and the sustainability of their mortgage repayments.

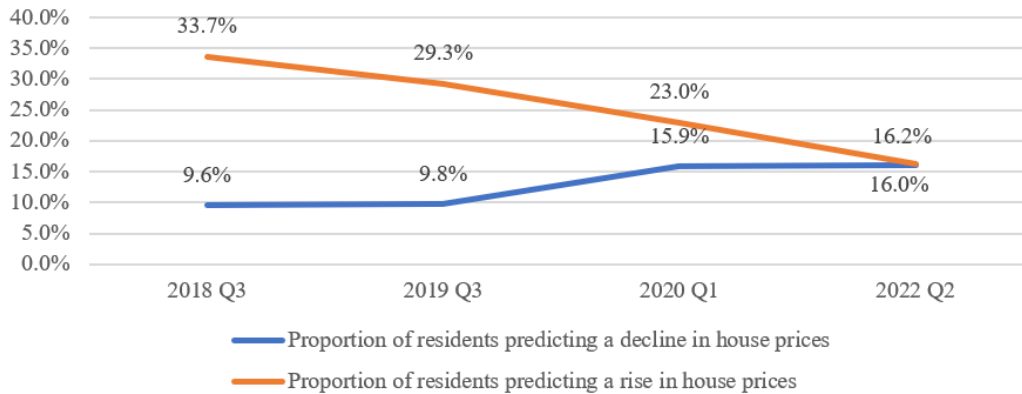


Fig 4. Percentage of residents with predicted house prices 2018-2022

A comparison of locals' predictions for home prices for the four years 2018-2022 reveals that fewer people continue to believe that home prices will rise while an increasing number predict a continued decline in home prices. Despite the fact that policies began to be frequently positive, mortgage rates were continuously lowered, and property market unbundling policies were frequently released around the world, residents became more cautious in their home purchase decisions due to weakened income expectations and people's skeptical attitude towards housing price trends.

Data from the People's Bank of China show that although national household loans increased by 2.18 trillion yuan in the first half of this year, they were still 2.39 trillion yuan less than they were during the same period last year, with consumer loans increasing by 2.13 trillion yuan less.

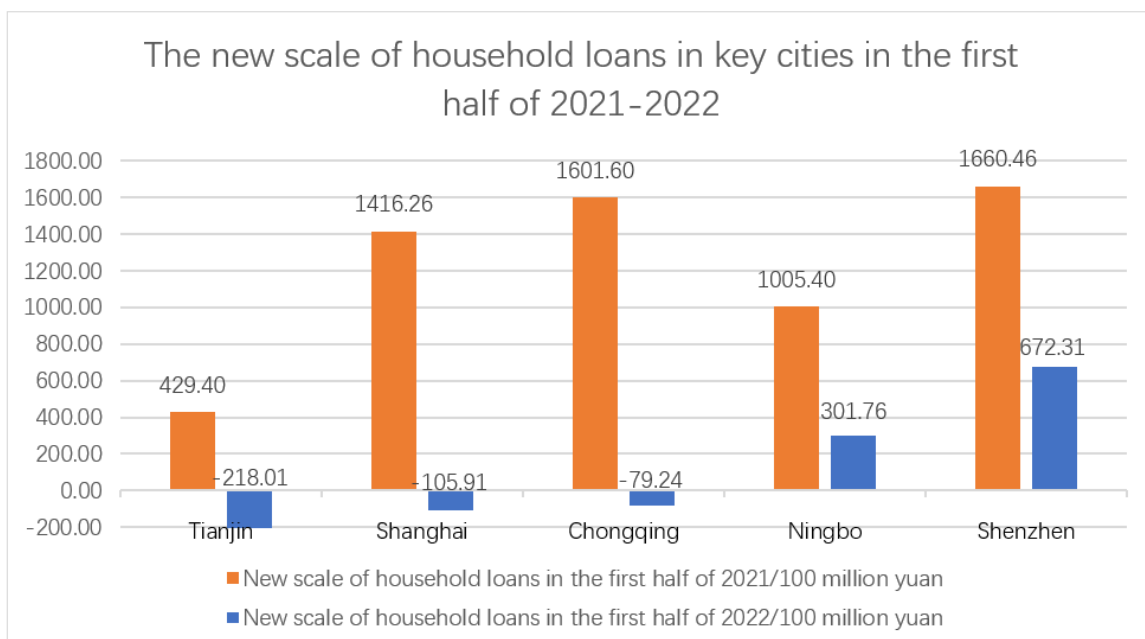


Fig 5. The new scale of household loans in key cities in the first half of 2021-2022

The People's Bank of China, citing statistics for each location, announced the household sector loans in Tianjin, Shanghai, Chongqing, Ningbo, and Shenzhen in the first half of this year as of August 2022. In the first half of this year, household loans among them increased negatively in Tianjin, Shanghai, and Chongqing. In the first half of 2022, the scale of household loans in Tianjin decreased by 21.801 billion yuan compared to the beginning of the year, while in the same period last year, it increased by 42.940 billion yuan, according to statistics from the People's Bank of China Tianjin Branch. As of the end of June this year, Shanghai's new household loans also showed a negative value; the city's household loan balance stood at 2,845.181 billion yuan, down 10.591 billion from the start of the year and significantly less than 140 billion yuan from the same time last year. Although the size of household loans in Ningbo and Shenzhen in the first half of this year is new, the growth of residential loans has significantly slowed when compared to the increase in the same period last year. For instance, Ningbo's financial institutions had a household loan balance of 113.326 billion yuan as of the end of June this year, which is 30.176 billion yuan higher than it was at the start of the year. However, during the same period last year, Ningbo's household loans increased by 100.540 billion yuan, meaning that from January to June this year, Ningbo's household loans increased by 70.364 billion yuan less than.

3. Analysis of the dilemma of difficult real estate financing

3.1 Tightening regulation of real estate financing

The Chinese Ministry of Housing and Construction and Central Bank jointly held a symposium on key real estate enterprises on August 20, 2020. The symposium's clear recommendations included implementing a good prudent management system for real estate finance, improving the marketability, regularity, and transparency of real estate enterprise financing initially, and focusing on the "three red lines" of real estate enterprise financing, or the regulatory layer tightened the financing of real estate.

In order to act as a deterrent to the highly leveraged and indebted real estate industry and prevent credit resources from flowing into excessive borrowing, the government will regulate the annual growth rate of interest-bearing liabilities according to the four grades of "red, orange, yellow, and green" according to the different situations of real estate enterprises. This will promote the process of debt reduction and deleveraging in the real estate market and stop credit resources from flowing to real estate companies that borrow too much. Low debt means adequate cash flow, high security of property ownership and low risk of investment, thus effectively avoiding delayed delivery, project failure and corporate mines. Facing the society at large with a stable posture, home buyers can feel more at ease and secure.

Since 2021, with the landing of the "three red lines" (The gearing ratio excluding pre-receipts, net debt ratio, and cash to short-term debt ratio should all not exceed the red line of 70 percent, 100 percent, and one, respectively) and the escalation of the government's regulatory policies on real estate companies, the financing environment for real estate companies has once again entered a tightening phase, and many real estate companies have fallen into liquidity crises and substantial defaults, making credit issues a new focus of market attention. The main task of most real estate enterprises is to deleverage and reduce debt. Country Garden Holdings Limited, Evergrande Group, CHINA VANKE CO., LTD., Sunac China Holdings Limited, Zhongliang Holdings Group, China Poly Group Corporation Ltd., Future Land Development Holdings Limited, China Overseas Properties, Overseas Chinese Town Group, Greenland Holdings Corporation Limited, China Resources Holdings Limited, FUJIAN SUNSHINE INDUSTRIAL DEVELOPMENT CO., LTD were the first to try out the "three red lines" policy for financing as twelve head real estate companies. Among 12 companies, three real estate enterprises, Sunac China, Greenland Holdings, and Zhongliang Holdings Group, exceeded the red line in three indicators and were classified as red level; their gearing ratios after excluding pre-receipts were 84.2%, 82.8%, and 80.8%, respectively; their net debt ratios were 214.1%, 163.4%, and 120.9%, respectively; their money capital to short-term

debt ratios were 0.57, 0.67%, and 0.70. With a gearing ratio after excluding pre-receipts at 77.6%, a net debt ratio at 154.4%, and a ratio of money capital to short-term debt at 1.15, FUJIAN SUNSHINE has two indicators that are above average. Only one indicator was out of the acceptable range for Country Garden, Vanke, and Future Land Development; the gearing ratios after subtracting pre-receipts were 82.7%, 76.5%, and 76.5%; the net debt ratios were 55.3%, 36.7%, and 14.2%; and the ratios of cash to short-term debt were 2.14, 1.68, and 2.42, respectively. Whereas the indicators of Poly, China Overseas, China Resources and Overseas Chinese Town are all within reasonable range. The gearing ratios after excluding pre-receipts are 67.4%, 55.0%, 56.4% and 79.3% respectively; the net debt ratios are 57.1%, 30.5%, 32.5% and 86.6% respectively; and the ratios of money capital to short-term debt are 2.09, 4.00, 2.89 and 1.01 respectively.

The statistics of listed real estate enterprises demonstrate that, among the 224 real estate enterprises, 51 exceeded the "three red lines" standard, 45 exceeded two of them, and 60 exceeded one of them. This is in accordance with the "three red lines" standard provided by the central bank. Only 68 were deemed to be secure and green. There are currently 96,000 real estate businesses across the country, the majority of which are small and medium-sized businesses where ultra-high leverage operations are the norm, and at least two thirds of them are estimated to cross more than one red line., according to statistics. For real estate businesses that exceed three red lines, two red lines, or one red line, the average debt growth rate in 2019 will be 7%, 12%, and 14%, respectively. Therefore, the vast majority of real estate enterprises will have limited future financing options, with the exception of businesses in the safety zone.

3.2 Real estate companies have a significant liquidity crisis

The fundamental cause of real estate enterprises' liquidity issues is that their "income does not cover expenses," or more specifically, their financing and operating income are lower than their operating expenses. If this situation persists, real estate enterprises will struggle. Whether it be land supply, the financing environment, or debt requirements, national policies have given clear regulations, which directly affect the solvency and capital flow of various real estate enterprises. The real estate industry is very sensitive to macro policies. In 2020 and 2021, there will be a significant tightening of industry policies, which will force the majority of real estate companies to reduce their financing activities. In addition, financing costs will rise rapidly, many real estate companies will have a liquidity crisis, real estate prices will fall, and many real estate stocks will also fall during this real estate crisis. This situation will shake the willingness of home buyers who are already on the sidelines to buy a house, thus falling into a vicious circle. The average sale rate in March 2022 for 32 major cities was only 35%, and ten of them, including first-tier Guangzhou and popular second-tier cities like Nanjing and Wuhan, had average sale rates of 20% or lower. Additionally, opening rates decreased in 8 cities from February to March. The opening rate in 50 cities across the nation fell to 29% in April, a decrease of 6 percentage points from March, when more than 60% of the cities opened, and the sale rate decreased month over month in more than 60% of the cities.

Most of the country's provinces were affected by the local epidemic in April, which was widespread. In some areas, the situation for epidemic prevention and control was dire. Shanghai and Jilin were among the cities affected, and the Yangtze River Delta and the northeast experienced a sharp decline in their economies. According to data from the National Bureau of Statistics, commercial property sales between January and April 2022 totaled 397.68 million square meters, a 20.9% decrease from the previous year; residential sales decreased by 25.4%. 3,778.8 billion yuan in commercial property sales were made, a 29.5% decrease; residential sales suffered a 32.2% decline. The decline has persisted through 2022 in terms of the national sales area for commercial properties and the sales growth rate.

4. Policy implications and recommendations for the Chinese cases

Private investment and involvement are necessary as China's house security system continues to improve. According to China's housing security experience and the developed nations' pioneering experiences, it is essential to support the market-oriented reform of the administration of the supply of guaranteed housing. Increasing numbers of NGOs and private businesses can be inspired to actively take part in the development and management of guaranteed housing initiatives. The following actions are advised in order to achieve this.

4.1 Implementing "One City, One Policy" and establishing an effective supervision organization

Real estate is essential to supporting local finances, lowering taxes, designing new and existing infrastructure, and renovating older neighborhoods because of the dire circumstances both at home and abroad. One city, one policy should specifically apply to real estate investments in order to maintain pressure. The PPP model is a significant innovation in the way public services are provided. Under this model, social capital is chosen by the government based on merit, and the two parties sign a contract in accordance with the principle of equal consultation to define the relationship between rights and obligations. To ensure that social capital receives fair benefits for providing public services, the government takes into account social capital in performance evaluations of public services. The PPP model is a significant reform effort to revamp government operations, rev up the economy, and encourage market vitality. In particular recent years, affected by the economic downturn, particularly the epidemic, local financial difficulties, infrastructure construction moderately ahead cannot rely on financial input alone, but more importantly to attract private enterprises and other social capital, of which the PPP model is an important way to achieve quick results and a win-win situation for both government and business. Second, NGOs serve as a good example of effective national public management, according to international experience. Second, according to international experience, NGOs can effectively connect the needs of the most profitable markets with national public management. Professional NGOs can not only assume social responsibility, but also reduce the financial and administrative pressure on the government. NGOs are more likely to attract private and capital investment, and can help improve the professionalism and operational efficiency of projects. China can also actively change its perspective by promoting organizational innovation, absorbing private professional resources, and establishing NGOs to handle the investment management of subsidized housing. NGOs also can also promote their development through various measures such as policies, financial subsidies, and financial support. The government should also step up oversight in order to ensure that NGOs are non-profit organizations. These steps are anticipated to offer adequate institutional safeguards for the government's exit from the guaranteed housing market and for private investment to participate in guaranteed housing projects in a planned manner. China's public REITs are still very young in comparison to the most developed nations and markets in the world. Compared to Singapore's 13%, the US's 3%, and Japan's 2%, China's market capitalization of public REITs is only 0.05% of equity at present. 11 public infrastructure REITs had successfully listed in mainland China as of March 31, 2022, which is a significant development in the Chinese REITs market. Domestic infrastructure owners now have access to equity financing and active secondary market trading as a result of the opening of public infrastructure REITs, indicating the market's acceptance of such products. All publicly traded infrastructure REITs in China had a market capitalization of RMB44.1 billion as of March 31, 2022, up 29% from the issue price. The 11 issued infrastructure REITs had an average daily turnover rate (turnover/total shares outstanding) of 2.07%, which was significantly higher than The Link's HK-listed turnover rate (0.24%) and the Singapore market's overall turnover rate (0.25%) for the same period. This demonstrates the robust liquidity of the Chinese REIT secondary market. Although some public infrastructure REITs are currently listed in China, the scope of public infrastructure is still primarily restricted to subsidized housing projects, with the potential for future gradual liberalization of additional public infrastructure project types.

4.2 Encourage reasonable and smooth enhancement of liquidity

The frequent mines of real estate enterprises have led to a domino debt crisis in many places as the real estate industry's sharp cooling in recent years has seriously slowed China's macroeconomic growth rate. Key organizations and significant businesses in the real estate sector should work to advance steadily in the disposal of financial risks. The government should do more to prevent and resolve the risk posed by small and medium-sized banks, and real estate companies should keep up their efforts to do the same. Local governments and regulatory bodies should actively drive the creation of the financial stability guarantee fund in order to deal with the resolution of individual businesses and institutions of risk events. based on city policies, implement a good and differentiated housing credit policy. Accelerate the investigation of novel real estate development strategies while preserving a fluid and well-organized real estate financing environment. In order to prevent the spread of negative feedback effects, the central bank concentrated on the proper management of credit risks of real estate enterprises during the second half of the work conference. The support for city-based policies and just-in-time mortgages should be upgraded, and the double easing of demand-side industry policies and liquidity policies will continue to be maintained in order to stabilize market expectations. In the long run, a mild contraction of real estate credit is the real estate industry's current trend and is necessary for the benign and healthy development of the sector. With the gradual decline of China's risk-free interest rate in recent years, it tends to cross the return curve of real estate, making REITs economically feasible. As a financial instrument product between traditional stocks and debt, REITs are conducive to Converting savings into investment can alleviate the asset shortage in China's economic and financial markets at this stage, and can also enhance investors' confidence in real estate investment in disguise. The Chinese public REITs adhere to the equity orientation, which can revitalize a large number of stock assets, which is conducive to preventing local debt risks and reducing leverage ratios. At the same time, it will help attract social capital to participate in infrastructure construction and promote the high-quality development of infrastructure construction.

5. Conclusions

After more than two decades of development of China's real estate industry, the housing supply and demand paradox has changed significantly, as have the demand hierarchy and structure, the technical underpinnings for production methods, and the government's capacity and approach to market regulation. The questionable development model of China's real estate industry, with high turnover, high leverage, and the pursuit of scale, is at the heart of the issues revealed by this real estate crisis. Measures like the "three red lines" can effectively support the benevolent development of China's real estate industry by complementing the long-term mechanism on the supply side of real estate. The real estate crisis marks a turning point in China's transition to a mature, healthy, and stable real estate market. The real estate market is anticipated to rebuild confidence and bring prosperity back with the economy turning around, the epidemic under control, and the combined impact of recent policies from various departments and localities to meet reasonable housing demand. Real estate companies, however, must draw significant lessons from this experience with liquidity risk and enhance their capital structures, sources of funding, and scale of financing. Real estate businesses must continue to cut back on leverage and take precautions as they develop in the future. As a result, in the new development stage, real estate companies need to investigate a new development model. For real estate businesses without debt issues to be able to resume production and investment as soon as possible, maintain stable and orderly real estate financing, and quickly restore the operating "blood" function of real estate businesses, the government should continue to support the reasonable financing needs of businesses. For the "lightning" real estate businesses or will provide defensible answers to increase market confidence. First, create a more supportive environment for private enterprise financing and improve the financing environment for real estate businesses. Support the reasonable financing requirements of real estate businesses, boost private enterprise financing, allow financial institutions to actively use bonds, medium-term notes, and other financing instruments to

increase the amount of financing available to private businesses, lower the cost of corporate financing, and swiftly guide enterprise sales, land purchases, financing, and other business practices back on track. Second, the management of transient difficulties and less serious issues can achieve self-help through debt restructuring of real estate businesses, to provide liquidity support and tax relief, and supervision of financial institutions will not heedlessly draw loans, broken loans, pressure loans, or support enterprises to maintain the stability of the capital chain. Loans that are difficult for businesses to repay will be renewed or extended. Financial institutions are expected to extend or renew their loans in a market-oriented manner for real estate enterprises that are severely impacted by the epidemic and have difficulties repaying their loans when they are due in order to provide succession of funds for the enterprises. Third, make a distinction between project risk and enterprise group risk, encourage excellent project financing and mergers and acquisitions, and increase the funding surface of enterprises free from risk. In order to distinguish, the financing of real estate enterprises may not be assessed solely on the basis of the enterprise's level of debt service risk. Even though the in danger real estate enterprises have a few high-quality projects with good sales and repayment potential, they can still receive the necessary financial support and indirectly increase their capital through the repayment of high-quality project sales. Fourth, actively direct support infrastructure stock assets, construction projects, and high debt levels of state-owned enterprises to revitalize stock assets as state-owned assets to preserve value, increase value, and prevent debt risks; raise construction funds; optimize the asset structure; and take a variety of revitalization measures. Encourage private businesses to actively revitalize their own stock assets, assist in the revitalization of state-owned stock assets as appropriate, use recovered funds for reinvestment, lower business risks, and advance sustainable and healthy development. To support the immediate needs and improve the consumption of home purchases, the government should simultaneously further relax the rules governing residential mortgage loans, such as lowering the down payment requirement, loosening the loan restriction policy's criteria, and lowering the mortgage interest rate. These will help real estate transactions return to normal as soon as possible.

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