

The Existing Crisis of China's Large Real Estate Enterprises and Corresponding Amelioration Strategies Based on Evergrande and Vanke

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Abstract. In recent years, large Chinese real estate companies, especially Evergrande and Vanke, have faced an unprecedented financial crisis and development barriers due to a series of regulatory policies introduced by the Chinese government, the decline in housing demand for long-term incentives owing to the increased in household leverage, the high leverage caused by the rapid expansion of real estate companies, and the impact of the COVID-19 epidemic. Consequently, how accurately identifying the deviations and loopholes in policies, finance, marketing models, and development strategies and then coming up with countermeasures is the key for real estate enterprises to broaden their development prospects and maintain industry prosperity. In light of this, this paper expounds on the current situation of the real estate industry from three aspects: the bubble of urban housing prices, the demand side, and the supply side. Additionally, through the analysis of real estate enterprises, this paper summarizes the risks and crises of most large Chinese real estate enterprises, such as policy restrictions on real estate enterprises, difficulties in financing and development, and the impact of COVID-19. Combined with the advantages of the development strategy of non-Chinese mainland real estate enterprises (mainly Sun Hung Kai), the corresponding solutions and suggestions are given as well. With strong universality and practicability, this paper is intended to provide feasible solutions and strategies for the financial and development prospects of large real estate enterprises in China, expecting to give some inspiration and help to Chinese real estate enterprises under multiple adverse factors such as the impact of the epidemic.

Keywords: Real estate; Financing; Development; Covid-19; National policies.

1. Introduction

1.1 Background

Since the beginning of the 21st century, China's real estate industry has been developing rapidly, driving the continuous improvement of its national economic level. Starting from the second half of 2021, real estate companies seem to be treading on eggs. On the one hand, in the face of "the strictest" supervision, the three red line standards set by the Chinese government for the real estate industry have been implemented. The financing of real estate enterprises has been hindered, leading to a succession of real estate enterprises' thunderstorms, i.e., shutdowns, liquidation, legal persons running away, platforms losing contact, and closing down. On the other hand, as a consequence of the frequent occurrence of the epidemic and international situation, the overall environment is depressed, and only part of the business of real estate enterprises can be carried out through online forms such as network conferences. In contrast, the substantive construction work was stalled because the staff could not resume work. This has also led to a significant increase in the employment pressure of citizens, the reduction of residents' expected income, and the unfinished loan suspension disputes of futures houses, which have led to a dramatic decline in residents' willingness to borrow money to buy houses, and finally formed a vicious circle. In the first half of 2022, owing to the repeated epidemics in many places and other unexpected factors, the sales scale of commercial housing decreased significantly. The cumulative investment in real estate development experienced negative growth for the first time year-on-year. Besides, for a long time, some large real estate companies have been eager to succeed and expand rapidly, leading to excessive leverage, and thus buried hidden dangers. Also, since the epidemic, the macroeconomic downward pressure has increased significantly,

residents' income expectations have weakened, and market expectations have had a more noticeable impact on the rigid demand and real estate group. Buyers have a heavier wait-and-see mood, especially in hot first-tier and second-tier cities with high housing prices. The willingness of rigid-demand customers for products in low-total price sectors has declined. It is evident that the demand release momentum is insufficient. Although the enthusiasm of the improved groups of products in the high total price range is relatively good, and the improved products reflect a certain resilience, they have also been negatively affected. This also reduces the inventory turnover rate of real estate enterprises and further leads to inventory accumulation. The financial situation, operation management, and development prospects of real estate enterprises have worse.

1.2 Related research

Wang et al. analyzed the financial crisis of Evergrande Group from the perspective of game theory. Initially, they summarized the research status of domestic and foreign scholars on the problem of high corporate financial leverage. Second, they analyzed the financial indicators of Evergrande Group and pointed out its financial problems. Furthermore, they constructed a game tree to briefly describe some game strategies between Evergrande Group and the government. Finally, they use linear regression to analyze the impact of high leverage on earnings per share. They finally reached their conclusions through the above step [1]. Based on the phenomenon of enormous housing transaction pressure caused by the continuous strengthening of government regulation policies on the real estate market in recent years, Guo et al. draw out the analysis of Vanke Co., Ltd. as the research object. They analyzed and evaluated Vanke's debt-paying risk, operating risk, and profit risk and then explained the reasons for these risks. Finally, they put forward the methods and conclusions to prevent these financial risks [2]. Given the financing difficulties of real estate enterprises in recent years, Guo et al. took Vanke as an example to analyze its current financing problems. They stressed the importance of the existence and development of real estate enterprises to the stability of China's capital market and the stability of the national economy. In addition, they put forward the solution strategy with solid promotion and practicability because of the government's series of regulation policies restricting the financing channels of real estate enterprises, combined with the basic situation of real estate enterprise financing [3]. Evergrande Group has for years relied on highly leveraged operating conditions to rapidly expand its assets. However, the risk of debt default has been rising in recent years due to the introduction of new policies. In view of this phenomenon, Li analyzed the emergence of Evergrande Group's debt crisis from two aspects of internal management structure and external market factors and drew corresponding conclusions and enlightenment [4]. As one of the market leaders in Hong Kong property development, Sun Hung Kai Properties Limited focuses on sustainable development strategies. Yao and Li analyzed the sustainable development strategy of Sun Hung Kai Properties, discussed the company's approach to sustainable development, and the main measures taken by Sun Hung Kai to create value in the sustainable development process [5]. Based on rising house prices may develop into a huge housing bubble and may eventually burst damage to China's financial system and economic concerns, Liu and Xiong reviewed the history and development of China's real estate market, described the prosperity of real estate, and analyzed the real estate with family, local governments, enterprises and the contact of the financial system [6]. In response to the fact that COVID-19 has hit the real estate market hard, Balemi et al. reviewed academic insights on how the pandemic has affected housing, commercial real estate, and mortgage markets. In addition, these findings related to aggregate statistics on the performance of various housing sectors during the crisis. Finally, they discussed an outlook and analyzed the possible future development of various real estate sectors [7]. Kaklauskas et al. analyzed several aspects and their correlation between sustainable construction investment and real estate development (CIRED) during the period pre-, intra-, and post-Covid-19. Three hypotheses were tested by examining CIRED during the period pre-, intra-, and post-epidemic. In addition, the study shows that the effectiveness of a CIRED analysis is significantly improved when the life cycle of CIRED, relevant stakeholders with their own interests, the COVID-19 situation, and external micro, meso, and macro environments are

fully covered as a single entity [8]. Based on the background that the arrival of Novel Coronavirus has a great impact on China's macro economy and real estate industry, Wan focuses on China's real estate industry to analyze the current situation of the long-term development trend of China's real estate industry and the impact of COVID-19 on real estate management [9]. In view of the phenomenon that strict policy regulation and real estate market downturn affected the performance of large-scale real estate enterprises, Li et al. investigated the internal factors that affected the competitiveness of large-scale real estate enterprises in China and verified them by hierarchical regression and structural equation modeling. They finally found that profitability, capital ability, management and operation ability, human resource ability, brand awareness, and innovation ability could play a positive role in the competitiveness of large housing enterprises [10].

1.3 Objective

This paper analyzes and summarizes the current risks and crises of sizable real estate enterprises in China and gives corresponding solutions and suggestions, respectively. Initially, this article first introduces the current situation of China's real estate industry. Secondly, this paper analyzes most of the large-scale existing risks in terms of China's national policies, financing difficulties, corporate expansion and diversification, changes in inventory turnover, and the impact of the COVID-19 epidemic. Finally, this paper gives corresponding solutions for the above risks, introduces the development strategies of Sun Hung Kai and other companies, and gives some comprehensive solutions and strategies on this basis.

2. Status quo

In the past decade, due to rising prices, real estate has been an essential means of allocating residents' assets and loan collateral generally accepted by credit institutions represented by commercial banks. Because the expansion of China's economy is debt-oriented, the whole society's investment preference for real estate has been rising. This investment preference has significantly boosted housing prices in first-tier cities. In 2019, the ratio of house prices and income in most first-tier cities was more than ten times; simultaneously, the increase in property prices is much higher than the growth rate of local per capita income. This has led to a bubble in urban housing prices, which means that the house price is inflated and has exceeded their own value. This allowed investors to enjoy a colossal investment premium, thus attracting urban residents to concentrate a immense wealth on this particular asset. As a result, real estate has become the most critical wealth storage tool for residential families, causing house prices to seriously deviate from the fundamental value determined by the demand for use, forming a vast price bubble. Thereby, the investment attribute dominates the demand side of real estate. However, since 2017, with the narrowing of house price increases and even price inflection points in some regions, people have different expectations for the future trend of house prices, reducing the demand for investment to a certain extent.

From the demand side, since 2015, residents' per capita disposable income had no longer double-digit growth, generally hovering between 6% and 9%. It is worth mentioning that under the impact of COVID-19, the growth rate of per capita disposable income of Chinese residents reached its lowest value of 2% in 2020. From the perspective of the debt ratio, from 2008 to 2019, the leverage ratio of Chinese residents increased from less than 20% to more than 50%, which was higher than the average debt level of emerging market residents. Income growth slowed down, and the rapid growth in debt scale limited the credit leverage space for residents to borrow and buy houses. And the debt ratio was rising at the same time; the ability of urban residents to pay for housing was restrained. Furthermore, the growth rate of real estate has far exceeded the growth rate of residents' income. Consequently, most people's ability to buy a house was relatively weak, but they had no choice but to borrow money in order to purchase properties. This not only increased leverage but also affected the ability for economic growth. Real estate companies also had to pay for this, which has been seriously negatively affected. Also, in the medium and long term, population growth is the primary source of rigid demand

for housing. The aging population and the decrease of the net inflow of the migrant population slow down the growth rate of the scale of urban marriage and childbearing population and even tend to decrease, which also makes the long-term power of housing demand increasingly decline.

Furthermore, from the supply side, financing policies have been tightening since 2017. In order to prevent and resolve systemic financial risks, financial supervision departments did not allow funds to be used across regions, restricted real estate enterprises from continuing to leverage, strictly supervised violations of regulations and leverage, and only allowed "borrowing the new to repay the old," and guided real estate enterprises to rely more on their own funds and sales repayments to achieve endogenous growth. In such a policy environment, bank payments, real estate trusts, overseas ABS, and other financing channels have shrunk one after another. From the perspective of real estate loans, the growth rate of real estate loans in China's major financial institutions has declined, especially bank real estate loans. As of the end of April 2021, real estate loans in the banking industry increased by 10.5% year-on-year, hitting an eight-year low, which has been consistently lower than the growth rate of various loans since 2021. Moreover, by the end of 2021, the balance of real estate trusts was 1.76 trillion yuan, a year-on-year decrease of 22.67%. The scale of trust financing has been reduced for ten consecutive quarters. All these had a great impact on the cash flow situation of real estate enterprises, which in turn had led to a decline in the capital turnover rate of real estate enterprises. The changes in financing channels have increased the financing costs of real estate enterprises, prompting real estate enterprises to increase destocking, speeding up repayments, and reducing the pressure on the capital chain. In addition, the inventory-to-sale ratio of the real estate industry is also expanding. This level of housing vacancy rate means that if the expectation of rising house prices does not continue, sales will contract inevitably. The interaction between the rising inventory-to-sale ratio and the tightening of financing channels will promote the destocking of the real estate sector, increase the speed of repayment and reduce the pressure on the debt. Therefore, the real estate industry's capital pressure is increasing. Coupled with the impact of Covid-19, large real estate companies such as Evergrande and Vanke have also fallen into the financial crisis and encountered unprecedented barriers to development.

3. Existing risks and crises

Through the analysis of real estate enterprises dominated by Evergrande and Vanke, some reasons for the emergence of the financial crisis of China's real estate enterprises have also come to stone. Initially, the first reason is short-term loans and long-term investments. In the current real estate situation, the repayment speed of real estate sales has slowed, leading to a liquidity crisis, which is equivalent to investing in long-term projects with short-term loans from banks, increasing the repayment pressure on real estate enterprises. Secondly, the government's policies and attitudes have formed barriers to developing real estate enterprises. The government pursues economic growth and stability, and the company pursues maximizing its own interests. The government can maintain financial and economic stability through restrictive policies. For example, enterprises can be taxed on a scale, or legislation can be passed to limit the scope of government assistance, thus creating budgetary constraints on business owners. However, due to high coverage and relatively low policy flexibility, government restrictions on some companies' expansion plans will affect their economic growth. In addition, the three red line standards formulated by the Chinese government for the real estate industry have been officially implemented since 2021. The policy limits the upper limit of real estate enterprises' debt, net debt ratio, and short-term debt ratio. After years of expansion, some large real estate companies have already crossed these three red lines, which means that unless within the three regulatory red lines set by the government, in the event of liquidity problems, their external financing channels will be completely closed. Moreover, in the short term, it is pretty tricky for real estate enterprises to use the financing standards set by the government. Thereby, some companies have been operating at high debt ratios, which obviously does not meet the standards of the policy.

Therefore, when real estate enterprises have a liquidity crisis, their external financing channels are entirely blocked, and maturing debts are difficult to repay.

From the perspective of financing, real estate enterprises have been troubled by financing due to the high risk and cyclical fluctuation of the real estate industry. The development of a real estate project requires much investment in the early stage. However, few real estate companies have sufficient funds in the industry, and it is difficult for enterprises to obtain equity financing. Therefore, most companies can only develop projects through borrowing. Debt brings extraordinary risks to real estate companies. At the same time, changes in national policies have also led to cyclical fluctuations and uncertainties in real estate enterprises. The risks and problems related to financing can be analyzed from the following four segmentation points: (1) The proportion of internal financing is low. Real estate companies are capital-intensive companies. In the face of a huge investment in project development funds, it is difficult to complete the construction and operation of the project with its own funds alone, so it relies heavily on external funds. For example, by comparing the data of Vanke's internal financing and external financing, it can be found that Vanke is also in line with the characteristics that the internal financing scale of other companies in the industry is smaller than external financing. The real estate industry is greatly affected by macroeconomics and policies, and the excessive proportion of external financing will adversely affect the future development of enterprises. 2) Single external financing channels. Research shows that Asian economies are mainly characterized by imperfect bank-led capital markets, especially venture capital. This situation has led to the current situation. These enterprises mainly rely on bank loans exclusively for financing. Although the proportion of funds provided by other external financing methods has been increasing in recent years, bank financing is still the most important external financing channel for real estate enterprises. According to the data, in recent years, the asset-liability ratio of Chinese real estate enterprises has exceeded the threshold of 70%. The project development funds come from owner's equity, and the funds are relatively small. Most of them come from bank payments, while the proportion of equity financing and internal financing is relatively small. This financing structure will bring great risks to enterprises. In cases where current and future financial policies will only be stricter, most real estate companies rely too much on bank loans. When the bank's credit policy changes, enterprises will be issued as part of the policy impact, and the security of the capital chain will be at risk. If bank credit can be realized, the source of funds will become tight, putting enterprises in a dilemma of financing. 3) Inadequate financing plan. The company needs to formulate appropriate financing plans according to its own development framework, implement relevant policies, and ensure the company's financing and investment. However, based on the immature macro environment of China's current financial investment mechanism and capital market, it is complicated for real estate enterprises to make a systematic financing plan. Therefore, the unreasonable financing plans of most real estate enterprises are also expected, and the corresponding financing capital scale is inconsistent with the company's future development plan. Unable to meet the financing needs of the company, there is uncertainty in the financing entity. According to the data, taking the data indicators of Vanke's financing strategic plan as an example, Vanke's financing strategic planning design is not very scientific, and the existing financing line is difficult to provide convincing support for the financing strategy implementation program in the last five years. Whether it is an increase in the amount of financing or the increase in the number of accounts receivable days, the problem of crossing too big is obvious, which leads to the annual financing tasks of enterprises being too heavy to meet the requirements of financing planning goals. In this regard, enterprises should optimize. 4) The financing choice is not reasonable enough. Currently, most real estate enterprises in China use trusts, bonds, funds, and other financing methods. Although these financing methods can bring higher returns in a short time, they are costly and unsuitable for long-term use. The average interest rates of some companies' financing channels (such as Vanke) do not differ much, and the advantages are not obvious. The reasons for this situation are as follows: First, the financing environment has changed. With the change in economic conditions and the tightening of monetary policy, the financing environment is becoming stricter and stricter, and fixed financing costs, interest rates, and financing

costs have risen. The financing methods of real estate enterprises will also be affected. Secondly, the funds are mismanaged. There is no unified and effective financing platform within the company. Each branch of the group raises its own funds. They can fully use the redundancy of capital, reach the optimal financing channel, and better save transaction costs. Third, short-term notes, medium- and long-term bills, and corporate bonds with low capital costs are underutilized. Although companies can meet the requirements of these financing channels, they have successfully used these methods in the end due to financial indicators.

Furthermore, some real estate companies led by Evergrande Group blindly pursue diversification, but their profits are lower than expected. Nowadays, it is of difficulty for real estate enterprises to rely on government policies and the social environment to promote their development. At the same time, it is tricky for them to utilize many market opportunities to accumulate "virgin capital" quickly. In this case, diversification has become a strategic issue for most real estate enterprises. As a result, more and more international enterprises have begun to adopt diversification strategies. So far, over 90% of the world's top 500 companies have entered the strategic field of diversification. Incontrovertibly, Evergrande is no exception. It is not only committed to the development of the real estate industry but is also involved in cultural tourism, agriculture and animal husbandry, health, insurance, sports, and other fields. Very different from its high-profile declaration of tens of billions of investment, Evergrande's current actual results of diversification are still overall losses. According to the biennial financial statements disclosed by Evergrande Taobao Football, its net losses in 2013, 2014, and 2015 were 576 million yuan, 483 million yuan, and 265 million yuan, respectively. Also, although Evergrande Cultural Industry Group started in 2010, its subordinates have not realized profits for a single year. Besides, Evergrande Ice Spring was launched around October 2013. However, its losses in 2013, 2014, and 2015 were 552 million yuan, 2.839 billion yuan, and 555 million yuan, respectively. Ultimately, Evergrande had to sell Evergrande Ice Spring in 2016. Moreover, Evergrande's diversified development path and weak industrial relevance have not formed effective synergies and economies of scale, aggravating its massive debt scale. These did not bring cash flow to Evergrande but slowed down Evergrande's liquidity and plunged Evergrande into a debt crisis.

Also, some large real estate companies are expanding incredibly fast, which leads to too much leverage. Coupled with the lack of liquidity of these real estate companies, this further exacerbates the debt-servicing risk. Taking Evergrande Group as an example, Evergrande acquired too many projects and assets before 2017. Although the group's sales rose sharply, its liabilities were also getting higher and higher. Therefore, in order to reduce debt and digest previously acquired projects, Evergrande began to brake sharply in 2017. But the high assets and liabilities acquired in this way are not so easy to digest. With the worsening real estate environment in the next few years, the impact of large-scale acquisitions has laid a tremendous hidden danger for Evergrande's future development. For many years, it could only be financed by profits and bank loans. In the long run, Evergrande's debt is getting bigger and bigger, like a snowball. At the same time, the economic cycle brought about fundamental changes in the real estate industry. Evergrande was committed to expansion in the economic trough, and it acquired a large number of already risky assets. In times of economic growth, people's preference for venture capital makes them turn more attention to radical investment. This makes Evergrande unable to fully absorb its previous assets at all, resulting in many assets being realized on time, but the debts arrived on time. This also leads to these real estate enterprises' high debt ratio and high debt repayment pressure. The excessive asset-liability ratio increases the debt burden of companies, and too low liquidity ratios are not conducive to debt repayment. The imbalance between the two is a significant financial risk for the company. These large real estate companies have certain risks of insolvency, and even the entire real estate industry has certain risks in debt repayment. There may be cases where funds cannot repay debts typically. Also, Real estate is a capital-intensive industry, and stable cash flow is the basis for the normal operation of real estate enterprises. In terms of cash flow, Evergrande Group's funds are not liquid enough. This led to the suspension of some operations, and suppliers and contractors had to postpone payment for goods. Its real estate business was also unable to deliver on time. In addition, between 2015 and 2020, the cash

flow generated by Evergrande Group's operating activities was only positive in 2018 and 2020. Between 2021 and the third quarter of 2022, the cash flow generated by its operating activities has even been negative. On the one hand, this shows that its receivable rate is slow and still needs to rely on external financing to maintain the average turnover rate; on the other hand, it also indicates Evergrande's weak short-term solvency. Most of the loans obtained through financing are futures, and the interest payment period remains unchanged. However, enterprises lack cash and obviously can't support interest maturity at all. Therefore, if Evergrande's fixed assets are difficult to liquidate, Evergrande's capital chain will break, triggering its financial crisis. Simultaneously, through the analysis of Vanke's relevant data, taking the company as an example, the similar type of real estate enterprises under heavy debt pressure can be summarized as three reasons. Firstly, the long development cycle of the real estate industry, a large amount of capital investment, a variety of construction links, and other factors lead to the high debt of the real estate industry. The higher the debt-to-asset ratio, the more assets the company raises through debt, and the greater the risk. Secondly, the company's debt structure is not reasonable enough. As of December 2019, Vanke's current liabilities accounted for 87% of its total liabilities. It can be seen that Vanke needs to repay a relatively large amount of debt quickly, and the pressure on short-term debt repayment is relatively high. Third, the financing channel is fairly simple. In 2019, more than 50% of Vanke's financing came to banks, and the increase in bank financing also led to an increase in interest-bearing borrowing.

Another point that cannot be ignored is that the decline in inventory turnover leads to inventory accumulation. According to the corresponding data of Evergrande Group, Evergrande's annual inventory turnover rate gradually decreased from a peak of 0.5 in 2013 to 0.3 in 2020. Among them, its semi-annual inventory turnover rate in 2021 was only 0.15. For Vanke Group, due to the lack of inventory turnover data, it could just be analyzed through its inventory turnover days. (Inventory turnover days refer to the number of days an enterprise has experienced from the beginning of acquiring inventory to consumption and sales. It is calculated by the proportional relationship between operating costs and average inventory within a certain period (usually one year). The fewer turnover days, the faster the inventory will be realized. The shorter the inventory takes up funds, the more efficient the inventory management will be.) Vanke Group's inventory turnover days rose from a minimum of 898.28 in 2016 to a maximum of 1322.28 in 2018 and then to 1017.19 in 2021. However, its inventory turnover days in the first quarter of 2022 rebounded again, reaching 1931.26, with a corresponding inventory turnover rate of only 0.05. This data is even lower than the Evergrande Group. The inventory backlog leads to a waste of resources, reduces the company's capital turnover capacity, and is not conducive to the company's reinvestment.

Finally, the COVID-19 pandemic has dramatically impacted the real estate market. The first is the impact on the supply of the real estate market. Under the impact of the COVID-19 epidemic, although there are online meetings and other forms of work, substantive construction work cannot be carried out because the staff cannot resume work. Therefore, most real estate enterprise projects are stagnant, and the supply of real estate products and real estate sales are also seriously affected. Secondly, there is an impact on the real estate developers themselves. In the long run, real estate market structure, product structure, and sales channels will usher in new changes after the COVID-19 epidemic. When the epidemic first broke out, real estate developers did not make adjustments in time, pressed the "pause button," and still insisted on construction or sales, which led to insufficient liquidity and management pressure on many large real estate enterprises. Many small and medium-sized real estate developers face difficulties in debt repayment and even bankruptcy. Hundreds of Chinese real estate companies have to face the outcome of the bankruptcy. At present, due to the continuous decline in internal financing costs and the policy regulation of the real estate industry, the profit margins of large Chinese real estate enterprises with relatively low liquidity pressures are low. Acquisitions or mergers of small and medium-sized real estate enterprises with close capital chains will further improve the concentration of funds in the real estate development market. Moreover, in terms of sales channels, traditional real estate online sales cannot play a fundamental role in it. With the COVID-19 epidemic, the convenience, practicality, and convenience of online real estate sales have also been greatly

reduced. Both real estate operators and consumers are aware of the need for reform. Therefore, various traditional real estate online marketing services such as "online sales office," "VR cloud house viewing," and "contactless" online signing began to appear. However, unlike standardized products, real estate mainly focuses on on-site inspection, the procedures are more complicated, the amount is huge, involves more laws, regulations, and policies, and returns are not as simple as ordinary online shopping.

4. Solutions and suggestions

4.1 National policies can be appropriately relaxed and make feasible adaptive adjustments

The national financial supervision department can introduce preferential policies. For example, the central bank provides targeted credit goods to Evergrande and other real estate enterprises, and central enterprises receive surplus real estate enterprises at reasonable prices or some industries that seriously affect the development of real estate enterprises, so as to help them solve the risk of diversified overdevelopment. If necessary, state-owned assets can buy some shares and debt-to-equity swaps. At the same time, real estate companies should take self-help measures as soon as possible. Firstly, the largest investors of real estate enterprises should actively reveal their appreciation for the company's prospects in the enterprise crisis and make reasonable investments according to the company's situation to give confidence to other investors, employees, owners, and suppliers to stabilize the development trend of the enterprise. Secondly, management and the board of directors can develop efficient and feasible solutions to optimize the capital structure by holding meetings. Meanwhile, the relevant departments of the company should actively seek diversified financing channels and manage to improve fund management capabilities to reduce financial leverage, improve asset liquidation efficiency, and finally overcome the debt crisis.

4.2 Solutions and solutions from the financing perspective

4.2.1 Improve profitability

The fundamental ability of the enterprise is the profit of the core business. Suppose an enterprise wants to fundamentally solve its dependence on bank credit and let investors hold more shares in the enterprise. In that case, it must strive to improve its profitability in order to obtain more capital accumulation and more internal sources of capital. Investors are more optimistic about the development of enterprises and hope to invest in enterprises. In the development of the company, borrowing money from employees to benefit employees is also a better choice to consider. Although there are financing costs, they are less financially risky and less dependent on banks than bank payments. At the same time, staff can also earn interest income.

Increase income by diversifying business methods. Since the economic reform and opening up, the real estate industry has developed rapidly. However, in recent years, the ceiling effect has gradually appeared in the real estate industry due to the imbalance of resources in the real estate industry, and the growth rate has slowed down significantly. Relying solely on the sale of commercial housing can no longer allow enterprises to develop steadily and sustainably. China's domestic real estate enterprises are mainly developed and sold, and their primary business revenue accounts for more than 90%. Today, the development and sales of listed real estate companies in Hong Kong are no longer the main sources of profits. Leasing and investment income have gradually become a vital part of the current profit income of listed real estate companies. Real estate companies can learn from foreign business methods and expand their business to decoration, real estate, and even different industries.

4.2.2 Choose diversified financing channels

Real estate companies can learn from the financing model of the small stock trading model often adopted by Vanke in recent years. In addition, the relatively low cost of overseas financing can increase the overseas visibility of the company. Therefore, the company should actively strive for

overseas financing while expanding the scale of the enterprise and improving its reputation. However, real estate companies also need to pay special attention to potential problems in overseas financing, such as the differences between local and domestic laws, whether restricted areas are too protective of local trade, and how to deal with unfair treatment. In addition, attention needs to be paid to changes in the exchange rate, which significantly impact financing. At present, there are few restrictions on offshore financing at home. Furthermore, the hedging mechanism can be used for overseas financing investment in overseas projects, which is also an effective financing method.

4.2.3 Develop a scientific and reasonable financing plan

When formulating financing plans, real estate enterprises need to be realistic and formulate short-, medium- and long-term financing development plans according to their own needs and actual conditions. Enable enterprises, including business operators, to clarify financing objectives, financing plans, and financing capital structure. The company should effectively plan financing channels and financing costs, determine the main financing channels and choose effective financing channels conducive to the company's sustainable development.

4.2.4 Choose a reasonable financing model to reduce financing costs

If real estate enterprises want to form a financing structure with low financing costs and risks, they must choose a reasonable financing model. In addition to financing methods, including internal and external financing, companies need to continue to seek diversification of financing to help enterprises raise more funds. However, high financing costs have always been unavoidable for every real estate company. Hence, companies need to choose a relatively more affordable financing model under the existing financing policies to reduce the interest and risk cost of financing funds and improve economic efficiency. For example, equity financing is a financing model worth trying.

4.3 Improve debt solvency

Real estate companies should actively adopt and create diversified financing methods. The real estate industry is a massive investment project, and the diversification of financing allows companies to have enough funds to invest in new projects. The survey results show that the key factors affecting the economic development of real estate are the structure and efficiency of financing channels. Therefore, real estate enterprises need to consider building a professional financing platform and raising funds through bank loans, bond issuance, stocks, etc. In addition, according to the company's own influence, overseas financing can be considered to attract foreign investment. Also, real estate companies should optimize the debt structure as soon as possible and reduce the current debt ratio. In view of the situation that the current debt is too high and the debt pressure is high, enterprises can first formulate a loan plan and reasonably estimate the required amount according to the scale of the development project, the length of the loan, and the overall financial pressure, choose a reasonable borrowing method, make a difference, choose medium- and long-term financing, and reduce the current debt ratio. Enterprises can also sort out the advantages and disadvantages of various borrowing methods, combine their own development characteristics, and choose settlement methods suitable for their long-term development.

4.4 Improve operational ability

Increase inventory turnover. Enterprises need to strengthen the daily inventory management capacity and maintenance of houses. They are supposed to increase sales and reduce the inventory backlog while they are maintaining the normal production of houses. Enterprises can reduce their inventory by reducing the amount of land reserve. In recent years, the price of land as a scarce resource has continued to rise. The excessive storage of land resources by some real estate enterprises will increase costs, on the one hand, leading to a slowdown in capital flows and lower efficiency in capital utilization; on the other hand, tremendous capital pressure also reduces the speed of business expansion. Therefore, enterprises can sign contracts to limit the service life of the land and carry out

development and use within a certain period. This can not only obtain land resources but also reduce stocks.

Increase the management of accounts receivable. The main measure for enterprises to increase accounts receivable is to improve the construction of the credit system. Credit standards should not be kept lower in pursuing expansion and increased sales. In addition, enterprises can also consider whether to sell on credit according to the credit status of users. In the face of irrecoverable accounts, enterprises can recover them after calculating and reducing the cost of bad debts.

Enterprises should carry out the feasibility analysis of the project. Before investing in the project, the company should set clear goals and accurate user positioning for the development project and accurately evaluate its financial, operational, and cash flow situation. Secondly, the relevant departments of real estate enterprises also need to have a detailed understanding and evaluation of the market situation and expected returns of investment projects and choose the best construction plan, so as to maximize the use of the company's funds to enhance the company's competitiveness and reduce the company's investment links to a certain extent.

4.5 Post-epidemic revelations

The COVID-19 pandemic has changed the demand in the real estate market, and the real estate supply will inevitably be adjusted to adapt to new demand changes. It is not difficult to predict that in the future, real estate companies' investment and business strategies will be adjusted to a certain extent. In the supply of real estate products, the proportion of housing will further increase, and the proportion of commercial real estate will decline. At the same time, the proportion of real estate in the medical, biomedical, medical, and high-tech research and development industries will increase. In the supply of home products, the proportion of large units, low density, intelligent technology, and green and healthy homes will increase significantly, becoming the mainstream home product supply. Therefore, the asset value of residential communities will be highlighted, and high-level property management services will also become the high added value and a highlight of residential terminal products. Simultaneously, due to the increased security requirements, major real estate companies can also try to build and improve security systems based on existing or under-construction properties and gradually develop them into the company's new industry. While meeting the needs of the market and customers, we will broaden the industrial chain conducive to the development of the company so that real estate enterprises can achieve personalized unity in the early, middle, and late stages of real estate.

In terms of sales channels, in the future, online real estate sales will not wholly replace traditional offline sales, but real estate enterprises can actively adopt and optimize the online and offline "mixed" real estate sales model. At the same time, real estate companies can increase their support for laws, regulations, and information technology around online real estate sales.

4.6 Learn the sustainable development strategy adopted by Sun Hung Kai Properties

Sun Hung Kai regards sustainable development as integral to the company's long-standing belief in building a home. Thereby, the company develops high-quality properties for customers while promoting a healthy and sustainable lifestyle. Moreover, actively strengthen care for the community, especially vulnerable groups.

In addition, the company also works with employees, supply chain partners, and the community to create long-term sustainable value, aiming to make Hong Kong a sustainable and better home. Regarding sustainable social development, Sun Hung Kai plays a good role as a corporate citizen, supports various charitable and educational projects, and encourages continuous learning. Furthermore, Sun Hung Kai also formulated a series of measures aimed at creating a harmonious community and a healthy lifestyle.

The company also regards employees as the company's most valuable asset and helps them achieve work-life balance while providing them with training and development. Sun Hung Kai has formulated a clear environmental sustainable development policy to conserve resources and achieve sustainable

development. Also, it implements environmental protection measures in many properties and advocates for the public to become environmentalists in daily life.

4.7 Other suggestions for large real estate enterprises to improve their comprehensive competitiveness

4.7.1 Strengthen the integration of various resources

From the perspective of resource integration, the resource integration of real estate enterprises can be divided into external resource integration and internal resource integration: external resource integration - the real estate industry relies heavily on external resources, and the implementation of real estate projects usually requires the help of multi-faceted external forces; internal resource integration - the integration of internal resources of real estate development enterprises involves specific problems in almost all aspects of internal management of enterprises.

Referring to the advanced experience of resource integration of foreign real estate enterprises, the following measures are worth learning from Chinese real estate enterprises. Firstly, real estate enterprises should further improve their understanding of the resources of real estate enterprises, understand the importance of enterprises owning resources and improving their ability to integrate resources. Before carrying out the project, enterprises must do an excellent job in resource integration and fully mobilize the resources of all parties in a planned and orderly manner. Simultaneously, they should also pay attention to the sustainable use of resources, ensure the long-term development of enterprises in the future, and lay a solid foundation for the development of follow-up projects.

Secondly, real estate enterprises should make full use of various means and methods to integrate resources under the premise of the existing resources of enterprises.

After the enterprise fully investigates the resources it owns and can integrate and utilize, it can be analyzed in combination with the long-term development of the enterprise and the short-term project progress. Understand what core resources the enterprise lacks, which resources they do not have and need to be integrated, and how to integrate, to solve the problem of insufficient resources in the development of enterprises.

Finally, strengthen the development and management of enterprise human resources. The human factor determines everything. The real estate industry involves many industries and requires a wide range of knowledge and skills. Real estate enterprises should make full use of the existing talents of enterprises, select outstanding elements to join the team, and implement the employment mechanism of survival of the fittest. This is a prerequisite and fundamental guarantee for the integration of enterprise resources.

4.7.2 concentrate on brand building

In today's economic globalization, brand building has become prominent in developing real estate enterprises. With the increasing market competition, the world has entered the era of brand economy, and brand awareness has become the primary condition for consumers to choose goods. Real estate enterprises can strengthen brand building from three aspects: First, quality is the cornerstone. The excellent quality and quality of products and services are the prerequisites for consumers to establish a sense of trust in enterprises; Second, innovation is the core. Innovation is the driving force of brand development and the source of brand vitality; Third, marketing is the carrier. Doing an excellent job in brand marketing is a significant carrier and means strengthening the brand building. Last but not least, the brand is a critical guarantee for the competitiveness and sustainable development of enterprises. It is not only a vital means for enterprises to allocate resources and explore the market but also a considerable weight for enterprises to increase value-added and explore the market. Therefore, having differentiated and high-level brand advantages will become the key for enterprises to win the market competition.

4.7.3 Adopt a more flexible sales method

Companies can distinguish between peak and off-season sales based on past sales performance and experience and actively follow up and understand the needs of consumer groups, especially young

people, for accurate sales. During the off-season, various promotions can be taken. For example, old customers recommend new customers, give corresponding preferential policies, and reduce or exempt property management fees within a certain period. On the other hand, if it is in the peak season, enterprises can raise the selling price and make more profits according to the market conditions. In addition, real estate companies can also pay attention to the fine decoration quality and property management quality that customers pay special attention to improve their competitive advantages in these two aspects. Finally, of course, in the absence of projects that meet the investment conditions, the company can appropriately slow down the sales speed of completed projects, which can appropriately increase the sales price and allow enterprises time to carry out better construction projects.

5. Conclusion

This article mainly makes an in-depth analysis of the current situation of China's large real estate enterprises in recent years and concentrates on the relevant data and development of Evergrande and Vanke. Through investigation, we can find that most large real estate companies generally have the same or similar risks and crises. In view of these risks and challenges, this paper gives some feasible corresponding measures and strategies. Simultaneously, by analyzing Sun Hung Kai's marketing and development strategy, many real estate companies in mainland China can learn the company's sustainable development strategy. Furthermore, although the COVID-19 epidemic has indeed had a great impact on the real estate industry, meanwhile, real estate companies can also seek new development strategies from the real estate market under the epidemic to adapt to the new market demand, which may become a development opportunity for real estate enterprises. It is hoped that these plans and strategies can bring enlightenment to some troubled real estate enterprises and maintain the trend of prosperity in China's real estate industry.

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