REPOSITIONING CHINA'S REAL ESTATE SECTOR AMIDST RISKS AND CHALLENGES

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China's real estate sector, once a powerhouse for economic growth, now stands at a critical crossroads. Plunging into a downturn since late 2021, this sector is backed by the government's determination to reshape its future. As Chinese leaders confronted the realities of a cooling property market, crisis management took precedence. Cautious policy adjustments are aimed at a soft landing to mitigate financial risks and social unrest. Central to government initiatives are guarantees of housing delivery, supply restructure with public housing and market de-stocking. Besides the "Three Major Projects", which emphasises affordable housing, shantytown redevelopment and dual-use facilities, the government, most recently, is planning on financing local state-owned enterprises to buy unsold homes and convert them into public ones. With a diminishing reliance on this sector and efforts to diversify revenue sources for local governments, China illuminates a nuanced vision for the future, characterised by economic resilience and sustainable development.

***Chinese*:**
在风险和挑战中重新定位中国房地产业

曾是中国经济增长重要引擎的房地产行业，现在正处于一个关键的十字路口。自 2021 年年底以来，行业发展陷入低迷。虽然政府决心推动行业重塑并为此提供了诸多政策支持，未来仍面临不少挑战。当面对房地产市场持续降温的现状时，危机管理成为政府的首要任务；通过谨慎的政策调整，缓解金融风险并避免社会动荡，致力实现软着陆。政府举措的核心是保障住房供应、公共住房市场重组、以及房地产市场去库存。近来，除了强调建设保障性住房、棚户区改造和两用设施的"三大工程"外，政府还计划资助地方国有企业购买未售出的住房并将改造用于公共住房。随着整体经济对房地产行业依赖度的逐步下降，以及地方政府收入来源多元化的努力，中国正朝着以经济韧性和可持续发展为特征的未来努力。

***French*:**
REPOSITIONNER LE SECTEUR IMMOBILIER CHINOISE AU MILIEU DES RISQUES ET DES DÉFIS

Le secteur immobilier chinois, autrefois moteur de la croissance économique, se trouve désormais à la croisée des chemins. Le gouvernement affiche une volonté de remodeler l'avenir d'un secteur en pleine récession depuis 2021. Alors que les dirigeants chinois étaient confrontés aux réalités d'un marché immobilier en ralentissement, la gestion de crise a pris le dessus. Des ajustements politiques prudents cherchent un atterrissage en douceur afin d'atténuer les risques financiers et les troubles sociaux. Au cœur des initiatives gouvernementales se trouvent les garanties de livraison de logements, la restructuration de l'offre avec des logements sociaux et le déstockage du marché. Outre les « Trois grands projets », qui mettent l'accent sur le logement abordable, le réaménagement des bidonvilles et les installations à double usage, le gouvernement envisage, plus récemment, de financer des entreprises publiques locales pour acheter des logements invendus et les convertir en logements publics. Dans ce contexte de dépendance de moins en moins forte à l'égard de ce secteur et d'efforts visant à diversifier les sources de revenus des gouvernements locaux, la Chine révèle une vision nuancée de l'avenir, caractérisée par la résilience économique et le développement durable.

***Spanish*:**
REPOSICIONAMIENTO DEL SECTOR INMOBILIARIO DE CHINA ENTRE RIESGOS Y DESAFÍOS

El sector inmobiliario de China, que alguna vez fue un motor de crecimiento económico, ahora se encuentra en una encrucijada crítica. Este sector, sumido en una recesión desde finales de 2021, está respaldado por la determinación del gobierno de remodelar su futuro. Mientras los líderes chinos confrontaban la realidad de un mercado inmobiliario que se enfriaba, la gestión de la crisis tomó prioridad. Los ajustes cautelosos de las políticas tienen como objetivo un aterrizaje suave para mitigar los riesgos financieros y el malestar social. Las garantías de entrega de viviendas, la reestructuración de la oferta con viviendas públicas y la reducción de existencias del mercado son fundamentales para las iniciativas gubernamentales. Además de los "Tres Grandes Proyectos", que enfatizan la vivienda asequible, la reurbanización de barrios marginales y las instalaciones de doble uso, el gobierno planea, más recientemente, financiar empresas estatales locales para comprar viviendas no vendidas y convertirlas en públicas. Con una dependencia cada vez menor de este sector y esfuerzos para diversificar las fuentes de ingresos para los gobiernos locales, China ilumina una visión matizada para el futuro, caracterizada por la resiliencia económica y el desarrollo sostenible.

Executive Summary

1. The Chinese government recognised the importance and the risk of the country's real estate sector, which has played a key role in driving growth before entering a serious downturn since late 2021. Beijing has demonstrated a determination to reshape the sector's future development.

2. In addition to maintaining market stability, the sector under a new development model is expected to provide both basic public housing, through government initiatives such as the Three Major Projects, and market-based commercial housing offerings, to cater to various residential needs.

3. The Three Major Projects encompass the construction of affordable public housing, redevelopment of shantytowns and provision of dual-use recreational facilities capable of swift conversion into emergency structures when required. Pilot projects have already commenced in cities such as Shenzhen and Hangzhou.

4. China's real estate sector has undergone rapid growth propelled by market-oriented reforms in the housing system post-1990s. However, this growth came with notable issues, including skyrocketing housing prices, rampant speculation and local governments' heavy reliance on land transfer revenue.

5. To avert property bubbles leading to severe financial crises, the government had implemented cooling measures since the 2010s. These measures included restrictions on housing transactions, price caps and mortgage loan controls. These regulations post-2020 caused a significant slowdown of the housing sector.

6. To stabilise the property market, the Chinese government has reversed many of these policies and restrictions since late 2022. This led to a brief rebound of the market during the early part of 2023. The rebound petered off in the second half of the year, evidenced by declines in housing prices, home sales and developers' investments.

7. More efforts have since been made to enhance market stability and avert potential crises. These endeavours aimed to further reduce housing loan costs for buyers, broaden the pool of eligible homebuyers and unrestricted urban areas, and restore investor confidence by providing sovereign wealth funds.

8. Since early 2024, to help alleviate difficulties in the property market, the government has instituted supply-side measures to provide short-term fixes, such as offering direct financing for selected suspended projects instead of bailing out troubled property developers.

9. Following the Party’s instructions to reduce inventory in the market, the central government later set up funds to motivate local State-Owned Enterprises (SOEs) to buy unsold homes and convert them into public houses. It aimed at mitigating developers’ debt risks and stimulating housing demand at the same time.

10. The authority’s long-term goals include supporting genuine housing demand while curbing speculative practices in the housing market. Given China’s new industrial priorities and demographic trends, the real estate sector is unlikely to return to its previous rapid growth trajectory.

11. Notably, China is steering the real estate sector towards a soft landing, proposing polices to restructure housing supply and exploring a new sustainable development approach. These policies will increase affordable public housing supply in the market.