Lianhe Ratings Global

Non-Rating Commentary
29 April 2025

China Property Sector: Preliminary Signals of Bottoming Out

The China property industry experienced an unprecedented and prolonged industry consolidation in recent years, which included significant decreases of property prices and transaction volume, financial distress and even defaults in offshore bonds issued by property developers, retreat of homebuyers' confidence, etc. A series of policy stimulus was launched, which aimed to restore market confidence and stabilize the property market, but it still took time to make a significant impact. Having said that, a couple of stabilizing signals emerged from the latest industry data, especially since the beginning of 2025. Together with the loosening monetary policy backdrop and slightly favorable financing access in offshore bond market, it may suggest that the real estate market is probably bottoming out this year.

The year-on-year decrease in China's nationwide property sales value has significantly narrowed down to low-single-digit since the beginning of 2025, compared with the high-single-digit to double-digit decrease of annual property sales value recorded for three consecutive years in 2022-2024. More encouragingly, the new home index for 100 major cities in China maintained the recovery momentum, which was mainly led by both tier-1 and tier-2 cities. The sell-through rates in these cities are improving, though tier-3 and other low-tier cities may still be under pressure. The real estate investment, new land purchase and construction volume remained stagnant, probably due to property developers' stretched financial position and cautious view on new investment. Nevertheless, it would also indicate a constrained property supply growth in future. Indeed, the nationwide housing volume available for sale showed a decrease in March 2025 compared with a month ago.

On the financing side, Greentown China Holdings Limited ("Greentown", 3900.HK) completed an offshore bond issuance and successfully raised USD500 million in February 2025. This marked the first significant fund-raising activity in the offshore bond market by a Chinese property developer for nearly two years. While it still takes time to restore investor's confidence, Greentown's bond issuance may indicate a return of investors' interest on property developers, and thus an improved access to funding channels by property developers. Large-scale, stated-owned and financially-sound property developers are likely to be the first batch of beneficiaries tapping the offshore bond issuance channels.

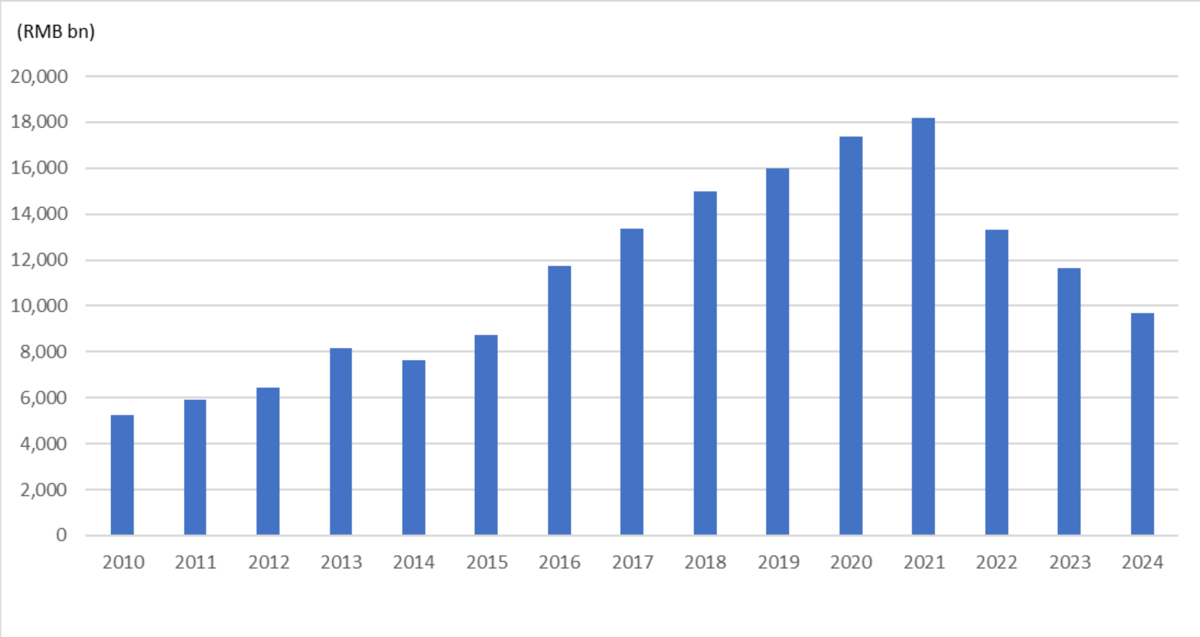
To shore up economic growth amid the tense global economic uncertainties, the Chinese government is likely to maintain or even accelerate its proactive macroeconomic policies, including further interest rate cut, lowering reserve requirement ratio, etc. This monetary policy backdrop would be favorable to the Chinese property industry.

Stabilizing Property Sales Value and Prices Performance Since 2025

According to the National Bureau of Statistics of China, China's property sales value reached the peak of RMB18.2 trillion in 2021. Following the credit squeeze and liquidity crisis of property developers, along with homebuyers' concern on the property price outlook and the ability of property developers to complete and deliver their properties, China's property sales value experienced year-on-year decreases of 28.3%, 6.5% and 17.1% in 2022-2024. As a result, China's property sales value declined to RMB9.7 trillion in 2024, which was equivalent to 53% of the peak in 2021 only.

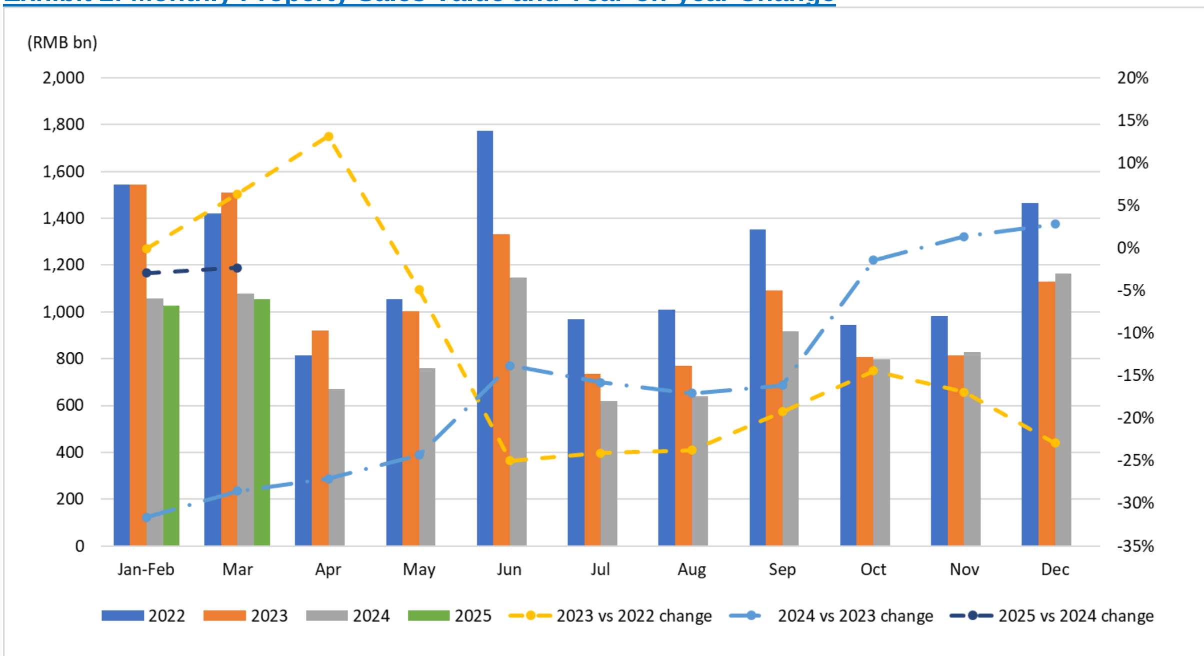
In 2025, China's property sales value and gross floor area ("GFA") dropped by 2.1% and 3.0% year-on-year in the first quarter of 2025, respectively. The year-on-year decreases of both sales value and GFA narrowed compared with 17.1% and 12.9% recorded in 2024. The monthly property sales value in March 2025 also recorded a slight year-on-year decrease of 2.3% only.

Exhibit 1: China's Property Sales Value (2010-2024)



Source: National Bureau of Statistics of China, Lianhe Global's calculations

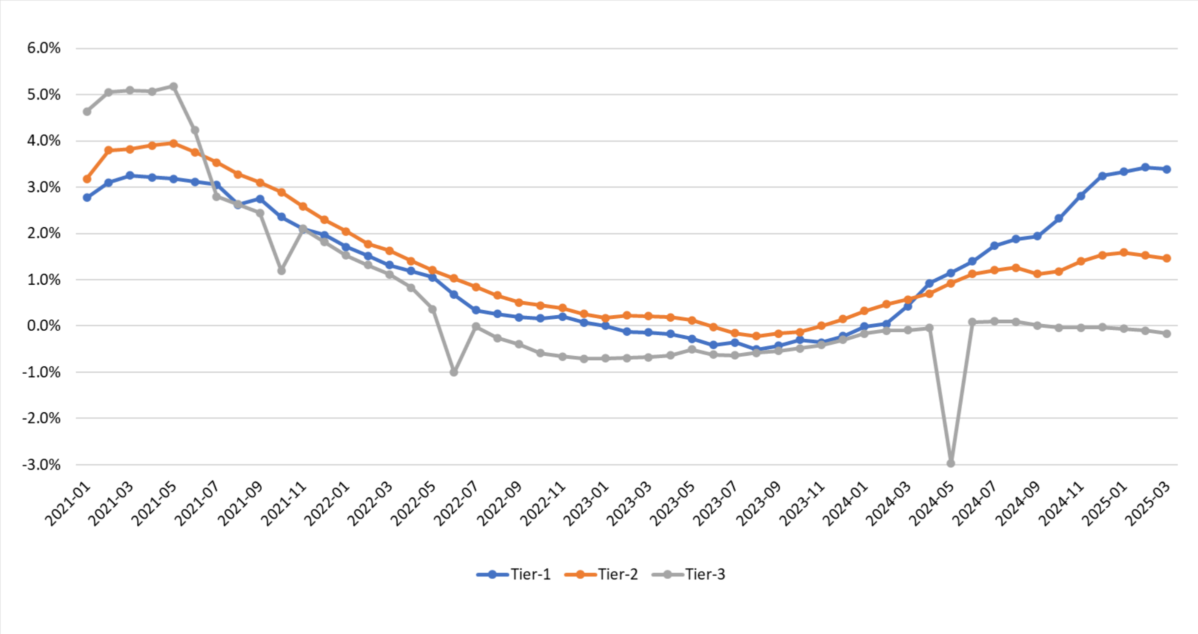
Exhibit 2: Monthly Property Sales Value and Year-on-year Change



Source: National Bureau of Statistics of China, Lianhe Global's calculations

According to the China Index Academy, the new home index for 100 major cities in China continued its gradual recovery starting from the second half of 2024. Nevertheless, the index performance was diverse as tier-1 and tier-2 cities outperformed low-tier cities.

Exhibit 3: Year-on-year Change of New Home Price Index in 100 Major Cities in China



Source: China Index Academy, Lianhe Global's calculations

Sluggish Investment and Construction Volume Indicate Constrained Supply Ahead

According to the National Bureau of Statistics of China, China's real estate investment recorded a year-on-year decrease of 9.9% for the first quarter of 2025, which was similar to the 10.6% decrease recorded in 2024. Also, construction activities remained weak. Work-in-progress, new construction and completion volume dropped by 9.5%, 23.9% and 14.3%, respectively, for the first quarter of 2025.

The above statistics may suggest that property developers remained prudent on new investment. Given their stretched financial resources, property developers prefer completing their existing projects and land bank on hand before exploring any new project. On the flip side, it would indicate a constrained property supply growth in future, which would serve as another factor for supporting the property price.

Analysts

Toni Ho, CFA, FRM
Senior Director
(852) 3462 9578
toni.ho@lhratingsglobal.com

Joyce Huang, CFA
Managing Director
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Investor and Media Relations Contact

Alice Wang
Associate Director
(852) 6158 2257; (86) 185 1686 2143
alice.wang@lhratingsglobal.com

Disclaimer

Ratings (including credit ratings and other rating products) and research reports published by Lianhe Ratings Global Limited ("Lianhe Global" or "the Company" or "us") are subject to certain terms and conditions. Please read these terms and conditions at the Company's website: www.lhratingsglobal.com

A rating is an opinion which addresses the creditworthiness of an entity or security or the assessment of an instrument. Ratings are not a recommendation or suggestion to buy, sell, or hold any security or instrument. Ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a rating. All ratings are derived by a rating committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global's website for the last rating action and the rating history. Please see Lianhe Global's website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company's independent ratings and research.