Chinese business & finance

China pushes state banks to accelerate funding for private property developers

Regulators step up pressure on lenders to support struggling groups at heart of country's real estate crisis

Chinese regulators have instructed state banks to ensure the amount of loans to private property developers at least match the sector-wide average © Tingshu Wang/Reuters

Cheng Leng in Hong Kong 9 HOURS AGO

Chinese authorities are putting pressure on state banks to accelerate lending to private property developers, as they strengthen efforts to revive the country's debt-stricken real estate market by supporting some of its biggest and most precarious companies.

Chinese regulators have instructed state banks to ensure the amount of loans to private property developers at least match the sector-wide average, according to two people who attended a gathering in Beijing on Friday of senior government and banking officials.

Shares of private developers jumped on Tuesday. The companies, which lack the support of their state-backed rivals, have been at the heart of a crisis in China's property sector, which previously accounted for more than a quarter of economic activity in the country.

A barrage of defaults at private developers, led by Evergrande, the world's most indebted property company, in 2021, has shaken confidence in China's economy, leaving creditors to chase unpaid debts and real estate projects to sit unfinished across the country.

The unfolding funding crisis has pushed Country Garden, once China's biggest private developer by sales and long thought of as more financially stable than its peers, into bond default this year.

"These new measures reflect concerns of policymakers on the credit risk of private developers," said Larry Hu, chief China economist at Macquarie. "It would boost the short-term market sentiment for sure," he added, while cautioning that "what commercial banks can do is limited", pointing to the lack of success of previous support packages.

At the meeting on Friday, regulators also told state lenders to issue mortgages to home buyers purchasing property from private developers at least at the same pace as they issue mortgages to buyers from all developers.

The latest moves, conveyed to banks in person by representatives from the People's Bank of China, the Central Financial Commission, the National Administration of Financial Regulation and the China Securities Regulatory Commission, illustrated authorities' urgent concern about arresting the downward spiral in the property sector.

Regulators also pledged on Friday to consider unwinding some restrictions, such as caps on bank loans for mergers of developers.

Previous piecemeal support measures have failed to reverse the slowdown. A flagship $27bn PBoC bailout scheme has disbursed only about 3 per cent of its funds after state lenders could not find creditworthy developers.

At the Friday gathering, China's biggest banks, brokerages and distressed asset managers were directed to meet property developers' funding needs to a "reasonable" degree, according to an official readout.

The People's Bank of China, NAFR and CSRC did not immediately respond to requests for comment.

Shares in Chinese property developers gained on Tuesday, with the Hang Seng Mainland Properties index, which tracks Hong Kong-listed Chinese developers, rising 2.9 per cent, well ahead of a 0.6 per cent increase for the broader Hang Seng benchmark.

Shares in developer Sunac China leapt 19 per cent after disclosing on Tuesday that it had begun implementing a $10bn debt restructuring. Country Garden climbed 7.8 per cent and Longfor Group rose 5.8 per cent, while China Vanke and China Overseas

Land added 5 per cent and 3 per cent, respectively.

"A key thing to watch is whether and when policymakers will take bolder action, such as creating a lender or buyer of last resort for property developers," Hu said. "If it happens, this will be the turning point for the property market."

Additional reporting by William Langley in Hong Kong