

# Real Estate Development

## China's primary property market is searching for a bottom

This report does not constitute a rating action.

### What do we expect over the next 12 months?

**China's primary property sales may stabilize** at RMB10 trillion, and then follow an extended L-shaped recovery path.

**Hong Kong's home prices will continue to fall in 2024** before stabilizing in 2025 when interest rates ease.

**Indonesia residential property sales growth is likely to be flat** over the next 12 months. Sales will be front-loaded in 2024, driven by the value-added tax reduction that will expire by the end of the year.

### What are the key risks around the baseline?

**Structural factors could dampen China's primary property sales.** This is because homebuyers are increasingly purchasing in the secondary market, as they might want to avoid the uncertainties of not being able to receive completed units from liquidity-strained developers. Furthermore, social housing for sale offered by the government could cannibalize the sales of rated developers.

**Hong Kong's home prices could continue to fall.** Recent easing in property-cooling measures will stimulate demand somewhat. However, a high level of inventory, a slew of new supply in 2024, and elevated interest rates will add pressure to price recovery.

**Access to funding for Indonesian developers remains selective.** This will increase the refinancing risk for the sector again, due to the offshore maturity wall in 2025 of about US\$710 million.

### What do they mean for the sector?

**Chinese developers will be competing for a slice of a smaller primary market.** Rated developers who focus on higher-end projects in higher-tier cities, and offer better quality products and value-added services, will fare better in the still tough operating environment.

**Hong Kong developers will approach land acquisitions with prudence.** Rated developers will likely attempt to control their leverage amid a market downturn. We estimate most of our rated developers have over five years of land reserves, and they therefore have no immediate need to replenish their land banks.

**Indonesian developers will restructure most of the notes that are due to mature before the end of 2025.** Most developers have limited surplus cash to address the upcoming maturities. For developers with weak credit quality, obtaining bank loans could be an uphill task even if they have sufficient unpledged assets. The likelihood for such developers conducting notes restructuring is high.

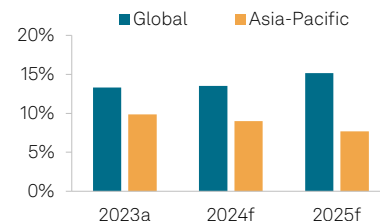
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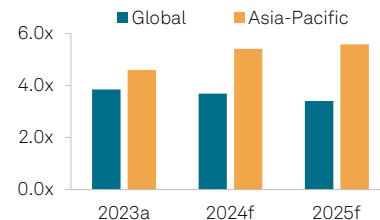


### Rating Metrics

#### FFO to debt (median, adjusted)



#### Debt to EBITDA (median, adjusted)



Source: S&P Global Ratings.

All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. a--Actual. f--Forecast.