

A Third of China's Unfinished Presold Homes Are Delivered After USD55.2 Billion Gov't Bailout

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DATE: JUL 05 2023 / SOURCE: YICAI

▶ 0:00 / 3:11



A Third of China's Unfinished Presold Homes Are Delivered After USD55.2 Billion Gov't Bailout

(Yicai Global) July 5 -- Just over a third of unfinished presold houses in China have been delivered to their owners, after the government rolled out CNY400 billion

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(USD55.2 billion) in special purpose loans last year to ensure the delivery of residential projects still under development as cash-strapped developers struggled to complete construction on time.

Some 34 percent of the presold houses that were unfinished 10 months ago were handed over as of May, a gain of 11 percentage points from March, according to a survey by construction data platform 100 NJZ which looked at 1,114 presold housing projects in China. In southern China, 56 percent were completed, 40 percent in the east, 15 percent in the southwest and 16 percent in central China.

A number of housing projects still under development in Zhengzhou, central Henan province, which were at the heart of a public outcry in July last year when homeowners refused to continue to pay their mortgages as developers pushed back handover dates, were completed in the first half, a source at a real estate agency in the city said.

CNY200 billion in special purpose loans were rolled out by the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, the People's Bank of China and other government agencies in August last year to ensure buyers received their properties on time. And in November, the PBOC offered another CNY200 billion in refinancing.

Although the bailout funds have helped some projects to be completed, there are others that could not provide the collateral needed to apply for loans, an insider at a struggling developer said. In reality, the special purpose loans do not fund every project and company, and there are restrictions on the amount that can be borrowed and the companies that are eligible.

"We have so many projects in complicated circumstances. Some projects have enough money to

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restart construction but not enough to complete them,” the person said.

Government agencies will choose which companies to help based on their actual situation, a person from an indebted developer in eastern China told Yicai Global. It takes about half a year for a firm to receive the money after applying.

The work of ensuring the completion of presold homes is proceeding but at a slow pace, and progress varies in different parts of the country, Guosheng Securities said in a recent research report. Based on the amount of bailout funds already granted, more money will be needed and greater efforts should be made to help more companies and projects in the future, it said.

Large property developers are a major force in ensuring the timely delivery of presold houses, Yihan Consulting said based on statistics. Over half of the presold homes completed since last August, were delivered by the 10 top developers.

The country will likely issue more policies to ensure the on-time delivery of presold homes, Hua'an Securities stated in a research report.

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