

Will Government Support Bolster Chinese Property Prospects in 2023?



Throughout 2022, the Chinese property market, and in particular the multifamily sector, suffered setback after setback. In March 2022 reporting on the ongoing Evergrande saga noted that the Chinese government's hardline policy stance on potential loan defaults was already having negative impacts on property developers.

Evergrande's eventual default, along with defaults by many smaller developers, triggered a liquidity crisis in the country's property market. Combined with ongoing lockdowns over the past few years, the economic fallout has been severe, and the Chinese market has seen huge dips in land purchases, stalled construction and a large-scale drop-off in residential and multifamily property sales.

Going into 2023, however, it seems that there's finally some relief in the cards for Chinese developers and the property sector at large.

Credit Relief

Late last year, the People's Bank of China announced steps to support the property sector. The measures included "local financial firms allowing real estate companies to defer repayment of some loans" and extending new credit lines for some developers. Some of the country's largest banks then announced a welcome credit injection to relieve the embattled sector.

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As the Financial Times (FT) reports: “Industrial and Commercial Bank of China (ICBC), China’s largest lender by assets, announced it was extending credit lines totaling [USD 92bn] to 12 developers.”

FT notes that the lender’s move is a “significant moment for China’s struggling real estate sector,” adding that the broader property relief plan announced by People’s Bank of China is widely considered a turning point for Chinese property.

The Road Ahead

With all of that said, some economists have taken a more reserved stance on prospects for the Chinese property market and the broader Chinese economy. Though the policies rolled out to bolster property offer significant relief, there are concerns around how these policies play out against the backdrop of China’s “zero-Covid” policy.

Quoted in the South China Morning Post (SCMP), economist Lu Ting puts it like this: “In the face of the zero-Covid policy, all of the other policies [to boost the economy] are powerless.”

Lu adds that even when “zero-Covid” drops away, recovery might only be seen towards the end of 2023, as rising infections will “have a negative impact across consumption, production and logistics.”

