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2023 Risk Radar: Real Estate Sector

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As COVID-19 prevention measures relax and the border reopens, life is slowly resuming to the pre-COVID normality. Concerns over mainland China's property developer financial solvency are also being relieved by new policies such as the 16 policies announced by the People's Bank of China. However, we are yet to observe the much-anticipated compensatory growth and lingering effects the pandemic has on the economy realising in the form of volatile FX, interest, and inflation rates. Effective risk management is essential to navigate through the post-COVID real estate market.

Key trends observed in the market impacting the industry in the Greater China region:

- In the current volatile economic landscape, Hong Kong and Chinese Mainland authorities are actively stabilising the property market with policy changes, which are having a growing impact. Market players should stay vigilant on relevant changes and manage risks effectively;
- With the relaxed COVID-19 prevention measures across Greater China, more economic activities are happening physically, including tourism, retail and workers returning to offices, driving up demand for retail, office space and housing close to CBDs in first-tier cities.
- Financial solvency concerns among Chinese Mainland property developers have been reduced as China's Central Government has launched a suite of policies to support financing for property developers, and the increased market exchange is allowing property developer to actively destock;
- ESG is expected to be a key focus point for the sector. Greater China's developers aim to push forward sustainability practices in line with the goals of carbon emission peak and carbon neutrality; Banks in Hong Kong are offering green mortgages where properties with a high sustainability rating enjoy special offers and interest rates.

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