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The Real Estate Restructuring Dilemma: Taking Chinese Market as an Example

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Abstract:

Against the backdrop of global economic integration, China's real estate market, under the dual challenges of economic transformation and policy adjustments, has seen the dilemma of restructuring become increasingly prominent, exposing deep-rooted structural problems. This study delves into the restructuring dilemmas faced by China's property market in the context of economic transformation and stringent policy adjustments. Based on a combination of structural equation modelling (SEM) and case study methodologies, this study examines the multifaceted financial, legal and market-based obstacles that real estate firms encounter in the restructuring process. The case studies explore in detail the realities of specific firms. Meanwhile, applying structural equation modelling helps to quantitatively assess these factors' direct and indirect impact on restructuring outcomes. According to comprehensive analyses of the financial data, policy context and market dynamics of the firms involved, the study reveals core issues such as heavy debt burdens, asset depreciation and mismatched market demand. These factors amplify liquidity risk amidst stringent financial regulation and market deleveraging efforts. These findings suggest that the current restructuring framework needs more flexibility, and market-oriented delisting policies may accelerate the restructuring process. This study provides valuable insights for understanding the systemic risks associated with real estate restructuring. It offers policymakers and industry practitioners strategic guidance to address these complex challenges.

Keywords: Real estate restructuring; Chinese market; policy analysis; market deleveraging; structural equation modelling.

1. Introduction

Driven by urbanisation and economic globalisation, real estate has become more than just an asset to satisfy housing needs; it has become an essential component of global capital flows, transitioning from primarily residential use to predominantly commercial and investment properties, and this shift is representing a historical evolution of the global real estate market, bringing with it a more significant number of correspondingly affected factors. As highlighted by Fadeyi [1], this shift has been accompanied by a significant increase in cross-border investment activity, particularly in prime locations in global cities. However, this shift has also triggered tensions between global factors and local socio-economic structures, especially in cities with a large influx of overseas capital [2]. According to Taltavull [3], until recent years, global property markets were heavily influenced by factors such as inflation and political and economic unrest, making the market dynamics even more complex. Focusing on the current state of the global property market, which is made up of complex factors, the global property market has experienced significant volatility in the last three years due to the uncertainty caused by the COVID-19 pandemic. However, it has also shown signs of a gradual recovery. In the face of multiple challenges, such as interest rate volatility, geopolitical tensions and economic instability, demand for residential and commercial property has continued to grow in some regions, reflecting the inherent resilience and adaptability of the market [4, 5]. In particular, in terms of capital allocation, Canadian pension funds have increased their investments in real estate, while the US has remained stable and Europe has decreased [6]. In addition, changes in the structure of real estate financing, such as the composition of housing finance and regulatory adjustments, have emerged as critical factors influencing the performance of residential markets [7]. Together, these factors have shaped the current state of the global real estate market.

China's property market has experienced rapid growth and adjustment in recent years. The government has implemented several policies to curb rising property prices and control financial risks, including the "housing without speculation" policy. However, some large real estate companies have experienced liquidity crises, highlighting the urgency of debt restructuring and risk management. While urbanization and the expansion of the middle class have provided some support to the market, the property market continues to face challenges such as a slowdown in demand for housing and an ageing population. The epidemic has exacerbated these problems, leading to capital outflows and business closures. While the prospects for market recovery are uncertain, there are some signs that the market is gradually recovering.

Regarding restructuring China's property market, current academic interest in restructuring China's property market focuses on three main areas: regulatory policy effects, corporate debt restructuring strategies, and long-term market sustainability. The government's land supply and credit policy adjustments have significantly impacted house prices and property development. For the debt restructuring of significant real estate firms such as Evergrande, Yu's [8], and Tian's [9] studies reveal strategies to resolve liquidity problems through asset restructuring and creditor negotiations. Besides, scholars are concerned about the potential threat that property bubbles may pose to macroeconomic stability and how to prevent this risk. In terms of addressing the industry's challenges, there are suggestions for regulatory changes, such as abandoning land financing strategies [10, 11]. Finally, historical studies have shown that financial market frictions significantly impact corporate restructuring activities, while market-based reforms and financial reforms help promote resource reallocation and economic growth [12]. These studies highlight the importance of comprehensive reforms and continuous regulation to ensure China's property market's healthy development and prepare for current and future economic and social challenges.

This paper undertakes a comprehensive investigation into the intricate challenges surrounding the restructuring of China's property market, accompanied by a thorough analysis of the multifaceted hurdles it presently faces. In the context of globalization and economic flux, the role of China's real estate sector as a linchpin for economic stability and sustainable growth cannot be overstated. However, amid the market's rapid evolution, myriad challenges—from policy regulations to corporate restructurings and the persistent threat of market bubbles—loom large. Consequently, delving deeply into the restructuring landscape of China's real estate market and offering pragmatic recommendations becomes imperative for steering it towards resilient development. The paper unfolds across six meticulously crafted sections. Initially, it paints a comprehensive picture of China's real estate market, delineating its scale, regional distribution, key stakeholders, and discernible trends. Subsequently, a granular analysis zooms in on the ongoing restructuring endeavors of significant real estate enterprises, illuminating their progress and strategic maneuvers. This is followed by an incisive examination of the restructuring dilemmas, unravelling the primary challenges and predicaments hindering market restructuring and laying the groundwork for subsequent recommendations. Finally, the paper presents tailored recommendations to address the prevailing restructuring dilemmas alongside a forward-looking perspective on future development trajectories. In conclusion, it synthesizes the study's key findings, highlighting potential avenues for future research while acknowledging the study's significance and inherent limitations.

2. Basic Descriptions

2.1 Size

In recent years, the size of China's property market has gradually shown a trend of volatility and adjustment after experiencing expansion. Seen from Fig. 1, the overall market size maintains growth, and the house price index rises steadily between 2019 and 2021, showing the expansionary characteristics of the property sector during this period. As the market matures, regulators' concerns about overheating house prices emerge, and the government seeks to curb market overexpansion through a series of tightening policies. This trend peaked in 2021, and the policies had a significant dampening effect on scale expansion.

From 2021 onwards, the expansion decelerated or even contracted, and house price indices declined. The "three red lines" of policy introduced leverage restrictions, coupled with stricter mortgage lending requirements, led to restricted access to finance, increased developer indebtedness and a corresponding weakening in market demand. The change in the house price index during this period in Fig. 1 directly reflects the reality of a shrinking market. In 2022, the Evergrande crisis exposed the liquidity risks large property companies face, further exacerbating the shrinking market size. The government eased restrictions at the end of 2022 to facilitate market recovery. Nonetheless, data for 2023 suggests that the market size continues to face uncertainty, and policies to stimulate demand (e.g., lower down payments and subsidies) have not prevented further declines in the house price index. Although the overall market size has shrunk, the model projections show that some areas, such as Guangzhou, still offer potential for long-term gains. The market size is expected to grow steadily in the coming years [13] At the same time, property tax policies will curb speculative investment and stabilise the market size [14]. However, the growth of market size in Beijing will remain limited in the next decade due to tightened financing channels and reduced leverage [15]. Even though the market size faces policy challenges and uncertainty, the property industry is still seeking a path to rebalance and grow as it gradually adapts to policy regulation.

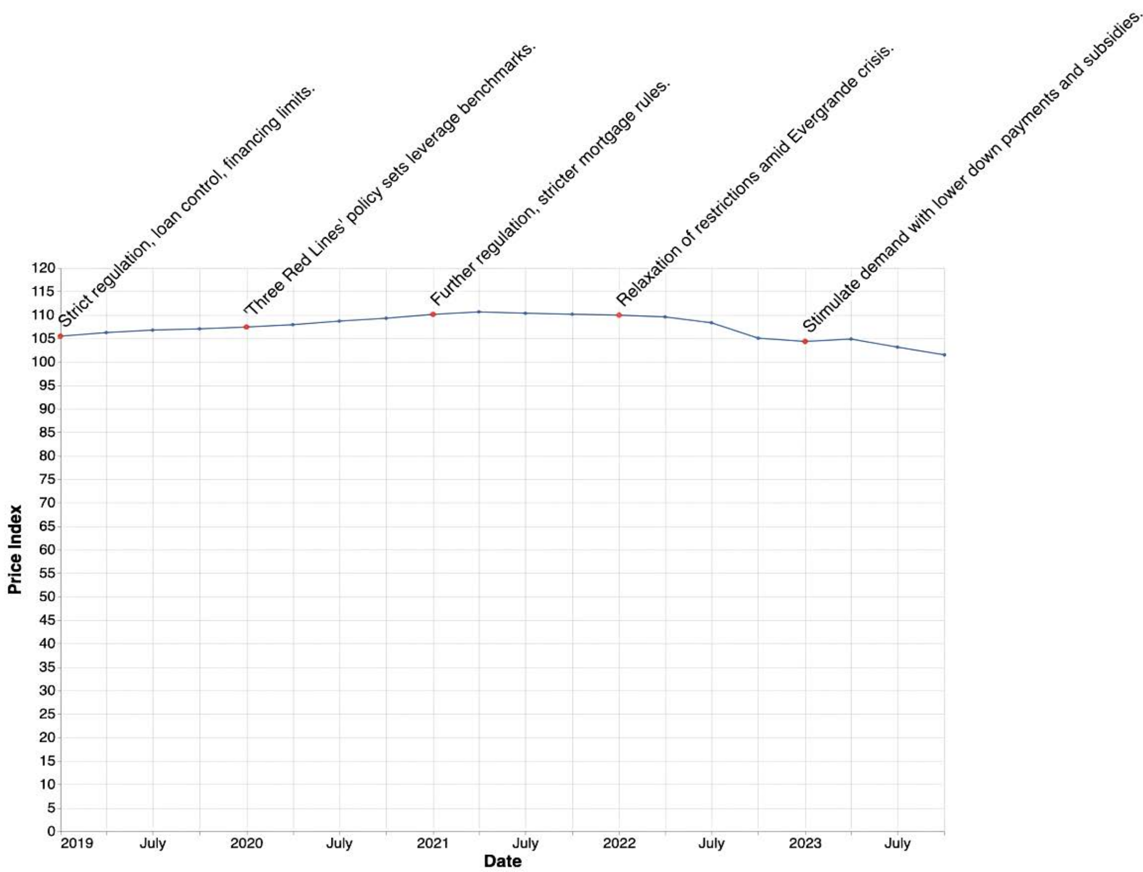

Fig. 1 China Residential House Price Index (2019-2023).

2.2 Regional Distribution

Over the past three years, China's property market has displayed distinct regional characteristics, reflecting the differences in development between the East and West and the diverse impact of property investment on regional economies. The east-west difference is that property investment and economic development have shown a "high east, low west" distribution pattern. The economically developed eastern region continues to attract large amounts of investment, while its impact on the regional economy gradually diminishes as it moves towards the west [16]. This phenomenon makes it difficult for the Western region to achieve the same property investment-led effect as the Eastern region. It affects the correlation with economic growth, which is weakening in the Western region despite the positive correlation between property investment and economic development [16]. Overheated investment in the eastern region and underinvestment in the western region create a significant market division. Meanwhile, China's property market has been divided into three major regional regions based on regional needs: regulatory, healthy development, and support zones, and it has been subdivided into thirteen sub-markets. These regional characteristics have influenced the restructuring of China's real estate to a greater or lesser extent and require focused consideration by policymakers to balance the distribution of investment to address better the unique challenges and dilemmas of the real estate market in each region.

2.3 Key Stakeholders

Over the past three years, the key stakeholders in China's property market have shown diverse behavior patterns under the influence of policy and market conditions. Firstly, the government has implemented the "three red lines" policy to stabilize the market and curb the formation of speculative bubbles. Central and local governments have also introduced home purchase restrictions to adjust supply and demand in the property market and mitigate the effects of price volatility [17]. This led to heavy debt pressure on developers during rapid expansion, and frequent liquidity crises made project delays and defaults commonplace. The Evergrande case is a typical example of the potential risks associated with excessive leverage in the real estate industry under the "three red lines" policy. In addition, banks and financial institutions are directly involved in the property market through lending and shadow banking channels and are highly sensitive to developer defaults. This sensitivity has fueled market instability and further contributed to the tightening of regulatory policies. At the same time, investors' increasing caution in the face of market instability and policy volatility have directly affected investment inflows. Both international and domestic investors are taking a wait-and-see attitude towards the market outlook, choosing to reduce their capital investment during the market adjustment period [14]. As the final consumers, residents are under tremendous pressure due to high prices and housing burden, which the government has endeavored to alleviate through its affordable housing policy [18].

Taken together, the Chinese property market presents a complex pattern. In this pattern, government policies, the highly leveraged operations of developers, the direct involvement of banks and financial institutions, the cautious attitudes of investors, and the high housing burden of residents are all intertwined, resulting in a complex interplay of supply and demand and policy making. This multilevel interaction provides an important direction for future property market research and policy formulation.

2.4 Apparent Trends

Notable trends in China's property market in recent years reflect the complexities and challenges of the current market restructuring. First, concerning demand dynamics, while housing demand remains strong in metropolitan areas, deteriorating housing affordability and rental yields have exacerbated the risk of a market bubble, especially as older housing built in the past two decades fails to meet current middle-class quality standards. Statistics show that since 2020, new home prices have risen by nearly 20 per cent in Tier 1 cities, while rental yields have fallen to an average of 2.5 per cent [19]. Secondly, the downward trend in the sector has become more pronounced. Despite a boom period, the industry's growth rate and profitability have declined against a backdrop of stricter regulation, market oversupply, and tighter policies. In 2023, national property sales fell by more than 30% year-on-year, and developer defaults climbed to a record high in recent years [20]. This trend is closely related to developers' highly leveraged operations and sensitivity to policy adjustments, further exacerbating market instability.

In terms of structural evolution, changes in market structure reveal differences in the performance of different types of firms. While state-owned enterprises (SOEs) and listed companies continue to play an essential role in the market, their business models have revealed vulnerabilities in recent years, especially under the impact of the liquidity crisis [11]. This makes the future market landscape more difficult to predict. Meanwhile, government policy interventions are working to reduce the housing burden on residents, mainly through government-guaranteed low-cost and affordable housing program. However, due to limited funding for these measures, the actual impact of the policies is constrained, with the supply of low-cost housing meeting less than 20 per cent of actual demand [14]. Therefore, policy interventions to further expand housing supply still require in-depth research.

From a historical perspective, the current restructuring of the market is closely linked to past phases of housing reform, which laid the framework for today's market but is complicated by structural surpluses and shortages across regions [21]. The current trends are closely related to changes in government policy, developer behaviour and market demand, revealing multi-layered challenges in restructuring China's property market. The positions of all stakeholders should be synthesised, and more effective policy recommendations should be made to cope with the evolution of market structure and future uncertainties.

3. Restructuring status

The restructuring of China's property market over the past three years has highlighted significant structural adjustments and new challenges. First, in terms of structural dynamics, the real estate sector significantly impacts economic growth through its forward linkages with other sectors. However, over-reliance on domestic demand makes it vulnerable to economic fluctuations, exposing its structural fragility. Statistically, the volatility of house prices and the instability of domestic demand have increased the overall risk of the industry since 2020 [8]. In the historical context, market restructuring in China's real estate sector has gone through three stages of development: an initial slow-growth phase after the housing reform, a phase of soaring house prices as a result of rapid urbanization and industrialization, and the current phase of structural surplus and shortage [21]. These phases laid the foundation for the current market restructuring, showing the stratification between regions and market structures. Regarding market structure evolution, state-owned enterprises (SOEs) and listed companies are essential in policy changes and market restructuring. However, liquidity crises and institutional challenges expose their business models to higher risks.2022 There is a significant increase in the number of cases of defaults by SOEs and listed companies due to tightened access to finance and highly leveraged operations [11], highlighting the need for these firms to better adapt to the changing regulatory environment and investment risks. Regarding policy impact, while stimulus and stabilization policies have somewhat restructured the market, policy interventions have only sometimes been as effective as expected in curbing speculation and correcting market imbalances. This complexity reflects the dynamic interaction between policy implementation and market responses. While further regulating financial institutions, the government needs to optimize land financing strategies and supply-side policies to ensure a stable and healthy market. The property market has undergone significant restructuring during the medium-term adjustment period, but long-term urbanization and improving living standards will continue to underpin market development. Future market restructuring will require balancing diverse policy needs and changing market dynamics. Companies must promptly adjust to new regulatory and reform trends as they develop their strategic plans.

The restructuring of China's property market reveals the challenges posed by the dynamics of supply and demand, the impact of policy, and changes in market structure. While providing direction for future policy formulation and corporate strategic planning, further data research and comprehensive policy recommendations are needed to ensure the continued and stable development of the property market. Key challenges and countermeasures to the restructuring of China's property market in recent years are listed in Table 1.

Table 1. Key challenges and countermeasures to the restructuring of China's property market in recent years.

Challenges and trends	concrete expression	Countermeasures and strategies
Structural dynamics	- The real estate sector plays a key role in economic growth - Over-reliance on domestic demand	- Optimizing domestic market structure - Opening up international markets
Stages of historical development	- Initial slow growth phase - Soaring house prices stage - Coexistence of surplus and shortage	- Targeted policies for different stages
Evolution of market structure	- Liquidity Crisis for State-Owned and Listed Companies - High Leverage Operational Risk	- Improving the ability of enterprises to adapt to the regulatory environment and investment risks
Policy implications	- Stimulus and stabilization policies have limited effect - Land financing strategies need to be reformed	- Optimizing land policy and credit regulation - Improving supply-side policies
Medium-term correction vs. long-term trend	- Medium-term restructuring and adjustment - Long-term urbanization trends will continue to support market growth	- Balancing diverse policy needs - Aligning corporate strategic planning

4. Dilemma analysis

4.1 Debt Problems

Financial problems in the Chinese property market have profoundly impacted the industry's restructuring woes. In this industry, high debt levels have become a significant impediment to firms' operations and strategic adjustments, especially for non-state-owned firms. According to Xu and Zhang [11], these firms have suffered significant negative impacts on key financial indicators such as return on equity and return on assets. This limits their ability to recapitalize and affects the speed of response to market changes. On top of this, the irrationality of the debt structure further exacerbates financial instability. This was particularly true among sizeable real estate companies like Evergrande and Vanke, which faced severe financial crises due to the combined effects of changes in government regulation, reduced housing demand, and the COVID-19 epidemic. The highly leveraged operations of these firms led to significant financial pressures, forcing them to revisit and adapt their financial strategies and business models to the increasingly challenging external environment [22]. This corporate-level financial crisis affects a single firm's stability and can potentially spread to the broader financial sphere.

The spread of this effect is particularly evident in the impact on the banking sector. The highly contagious nature of the debt risk of non-state real estate firms, particularly affecting rural and urban banks, not only demonstrates the vulnerability of these banks to risks emanating from the real estate sector but also highlights the need for macro-level measures to focus on controlling these risks in order to guard against a broader financial crisis [23]. Increased credit constraints further limit the ability of firms to recapitalize, particularly in terms of increasing equity financing, thereby weakening their position in sustaining operations and competing in the market.

In analyzing these issues in depth, it is essential to consider the unique structure of China's property market and the profound impact of government policies on it. The market's high dependence on government-supported land sales and credit policies has not only resulted in a prevalence of high leverage but has also led to a high degree of sensitivity to policy changes, which can easily trigger market turmoil in the global economy or under internal policy pressure. For this reason, governments need to weigh the relationship between economic growth and financial stability when formulating policies to regulate the property market to ensure long-term market health and stability. By comparing similar situations in other countries, such as the 2008 property market adjustment in the US, one can extract effective regulatory measures and market intervention strategies, such as enhancing lending standards and imposing tighter leverage limits, to inform China's formulation of corresponding policies. This micro-to-macro chain of influence is the key to understanding and solving the high debt problem and the basis for formulating effective policies.

4.2 Liquidity Crisis

In the Chinese property market, cash flow constraints have become a significant financial issue affecting companies' operations and restructuring ability. This cash flow difficulty stems from operational, investment, and financing risks, which limit the flexibility of day-to-day operations and pose a significant obstacle in the face of restructuring and strategic adjustments. According to Yuchen [24], cash flow disruptions directly impact the financial stability of real estate firms, particularly in terms of significantly increased pressure on working capital and return on investment. Statistics show that more than 60 per cent of firms surveyed reported that cash flow disruptions resulted in at least a 30 per cent shrinkage of working capital. When companies cannot effectively manage these risks, their restructuring options are severely limited, as the lack of capital results in an inability to make necessary market adjustments or attract new investments. In addition, this cash flow crunch exacerbates dependence on external financing, increasing the debt burden and further deteriorating the business's financial health.

This situation in China is particularly acute in the real estate sector, which depends on continuous capital flows to sustain its development projects and market expansion. However, companies face increasing operational and financing challenges due to economic policy uncertainty, fluctuations in market demand, and broader macroeconomic conditions such as international trade tensions and changes in domestic interest rate policies. For example, the recent rise in interest rates has led directly to an increase in the cost of financing, affecting the ability of firms to borrow. International comparisons, such as the measures the United States took to adjust its property market after the 2008 financial crisis, can provide valuable lessons. The United States effectively controlled the market's excessive speculation and debt risk by implementing stricter lending standards and financial regulation. These measures have helped prevent market overheating, maintain long-term stability, and provide a reference for China's policymaking. Therefore, for Chinese property companies, strengthening cash flow management, reducing financial risks, and developing flexible operating strategies have become vital in ensuring sustained growth and market stability. Policymakers should also consider adjusting regulatory frameworks and economic policies to ease corporate financial pressures and support the healthy development of the property market, especially during periods of high economic uncertainty. Recommendations include optimizing credit policies, providing fiscal incentives and improving land-use policies to help firms improve their cash-flow position and enhance market responsiveness.

4.3 Policy Impact

The criticality of the Chinese government's land, tax and financial policies on real estate firms' restructuring dilemmas is demonstrated by their profound impacts on firms' operating environments and financial conditions. This paper collects relevant data and designs and applies structural equation modelling (SEM) to provide an in-depth analysis of the impact of the Chinese government's land, tax and financial policies on the restructuring distress of real estate firms from 2020 to 2023. This model provides a robust analytical framework that enables us to understand in detail how these policies affect the financial position and market behavior of real estate firms (seen from Fig. 2). The results of the analysis reveal the complex relationship between the policy environment and corporate restructuring distress, and provide concrete insights for subsequent policy formulation and market adjustment.

Regarding land policy, the government's strategy focuses on prioritizing industrial land development to increase industrial investment and tax revenues. While this strategy has boosted industrial growth in the short term, it has also led to a relative shortage of residential land, increasing the land cost for property developers as they expand their residential projects. For real estate companies seeking to restructure or transform their operations, the high cost of land acquisition has become a significant financial burden in the restructuring process, limiting their flexibility and ability to expand in a highly competitive market.

In terms of tax policy, the high standard rate of corporate income tax and the complex land value-added tax regime not only reduced the net income of enterprises but also lowered their ability to reinvest and repay debt. Especially during periods of market downturn, these tax policies put additional pressure on the liquidity and financial restructuring of real estate companies. To meet this challenge, firms had to find alternative funding sources or restructure their businesses to maintain operations and avoid financial distress.

The adjustments in financial policies, in particular the adjustment of benchmark interest rates and optimization of lending conditions by the People's Bank of China, while aimed at controlling the money supply and inflation level of the overall economy, have also affected the financing costs, and borrowing viability of real estate enterprises. Against tighter credit policies, the increased difficulty in obtaining traditional bank loans made it difficult for many real estate enterprises to obtain the necessary financial support in times of financial stress, limiting their ability to restructure and recover.

Changes in market demand were also an essential factor. The declining sales of new and second-hand homes reflected falling consumer confidence and an unstable macroeconomic environment. This weakening of market demand resulted in lower revenues and asset values for real estate companies, exacerbating their financial distress and restructuring complexity. In this environment, firms must adjust their market strategies and business models to adapt to changing market demand and increase the liquidity of their assets. Firms' financial conditions, such as rising gearing ratios and fluctuating current ratios, further reveal challenges in financial management and debt restructuring strategies. The instability of these financial indicators limits the firm's ability to cope with market pressures and affects its long-term survival and growth (seen from Fig. 2). Taken together, this analysis highlights the need for policy adjustments by the Chinese government in balancing industrial development and housing needs, adjusting tax policies, and providing financial support. Appropriate policy adjustments would not only reduce the financial burden on firms and enhance market stability but also provide the support needed for real estate firms to restructure and recover, thus contributing to the healthy development of the overall property market.

Fig. 2 Structural Equation Model of Policy Impacts on Real Estate Corporate Restructuring

4.4 Case Studies

The restructuring of China's real estate industry is a complex process that is influenced by both internal and external factors. A detailed analysis of companies such as China Evergrande Group, Sunac China, Pan Ocean Holdings, and Greenland Holdings can provide valuable insights into the challenges faced by the industry and their potential impact.

One of the most significant problems that the real estate industry in China faces is high indebtedness. The reliance on a highly leveraged business model for expanding land reserves and accelerating project development has resulted in high debt ratios for these companies. For instance, Evergrande's net debt ratio was once as high as 153.6%, exceeding the policy limit. This high-leverage strategy may be effective in periods of abundant capital and market prosperity. However, when the market or policy environment changes, the risks faced by enterprises increase dramatically. The government's "three red lines" policy has further restricted the borrowing space of enterprises, making it difficult for many of them to maintain their operations and expansion plans without sufficient cash flow. Secondly, the rapid changes in the market and policy environment have brought significant external pressure on real estate companies. Various policies restricting purchases and loans have been introduced to curb the rise in property prices, affecting property sales and market demand. Enterprises must adjust their business structure and financial strategies to adapt to the new policy environment. The uncertainty and stringency of such policies have made it highly challenging for companies to plan long-term strategies and carry out daily operations. Furthermore, cash flow and solvency issues must be addressed. Even large enterprises such as Evergrande and Rongchuang face cash flow constraints due to high borrowings in the early stages and intensive capital investment required for large-scale development. Lack of sufficient cash flow affects the enterprises' daily operations and may trigger a liquidity crisis when debt maturity is concentrated. This situation is particularly evident when Evergrande's 2021 and 2022 financial reports fail to pass audits, and it defaults on its debt. Finally, investor confidence and market reaction are also issues that real estate companies need to pay particular attention to. The ongoing debt problems, cash flow shortages, and uncertainty over restructuring attempts have severely affected investor confidence in property companies. Falling share prices and declining bond ratings reflect the market's pessimism about companies' prospects. To restore investor confidence, companies must adopt more transparent and proactive financial management measures and actively communicate with investors to improve investor relations.

In conclusion, the challenges facing Chinese real estate enterprises are multifaceted, encompassing both internal operational and financial decision-making issues and the adverse effects of the external market and policy environment. These dilemmas require enterprises to take comprehensive measures to cope with them, such as strategic adjustment, financial management, and market adaptation. A deeper analysis of these issues can provide valuable insights for the sustainable development of the real estate industry.

5. Suggestions and Implications

Based on an in-depth analysis of the restructuring dilemmas in China's real estate market, this study proposes comprehensive strategies to promote the stability and healthy development of the market through policy adjustments, optimization of corporate strategies and the integrated development of the socio-economic environment. These strategies focus not only on the market's current needs but also on long-term market sustainability, ensuring that the real estate market can maintain stability in a changing economic environment.

The government's land supply policy needs to be flexible and diversified to cater to different regions' specific needs and development levels. For example, in densely populated first-tier cities, the policy should increase the residential land supply and encourage introducing green buildings and sustainable development projects to meet the increasing environmental challenges and housing demand. This will help ease the housing tension and promote sustainable urban development. In addition, in third- and fourth-tier cities, the government should focus more on promoting the development of commercial and industrial properties to stimulate the growth and diversification of the regional economy. Through such a zoning strategy, the country's land resources can be effectively balanced and optimized while meeting the different development needs of various regions. At the same time, to support enterprises in adopting sustainable development strategies, the government should adjust its corporate income tax and land value-added tax policies to provide tax incentives for these enterprises. Such incentives will encourage more enterprises to invest in environmental protection and sustainable projects while helping them receive substantial financial support to enhance their investment and debt-servicing capacity. The role of financial institutions is also critical. They should support the diversification of real estate projects by launching innovative financial products such as green bonds and real estate investment trusts (REITs), which provide the market with diversified financing channels.

Strengthening market regulation and real-time monitoring of market bubbles and speculative behavior is another key strategy to prevent systemic risk. By scrutinizing the financial status of real estate companies and ensuring their transparency and compliance, the government can effectively prevent potential market imbalances and financial risks and safeguard the healthy and stable development of the real estate market. This requires the government to strengthen its direct supervision of the real estate market and ensure the continuity and effectiveness of supervision through legal and policy measures.

Implementing these measures requires close cooperation and coordination between the government, enterprises, and all sectors of society to ensure effective policy implementation and long-term market prosperity. By implementing this all-encompassing strategy, China's property market can ensure stability while laying a solid foundation for sustainable development in the future. This involves formulating and implementing policies, accurate forecasts of market trends, and timely responses to strategic adjustments to ensure the optimization of market structures and the improvement of market functions.

6. Conclusion

To sum up, this study comprehensively analyses the complex challenges of restructuring China's property market, focusing on the intertwined impact of regulatory policies, corporate debt restructuring strategies and market sustainability issues. Through in-depth case studies of significant property companies such as Evergrande and Sunac China, one finds that high debt and liquidity management are core challenges in market restructuring. Evergrande's net debt ratio was as high as 153.6%, far exceeding the policy limit, highlighting the conflict between policy rigidity and corporate financial practices, and reflecting the far-reaching impact of market restructuring on corporate operations.

However, the limitation of this study is that the case selection may be biased, focusing mainly on a few large real estate companies, which may only partially represent the complexity and diversity of the industry. In addition, the challenges of acquiring and analyzing market data may have affected the broad applicability and depth of the study's findings. Future research should be extended to more types and sizes of firms to assess the broader impact of the policy thoroughly. With the changing market environment and further policy adjustments, future research should also focus on the long-term effects of policy changes on market restructuring, mainly how these policies affect urban development and economic growth. In the face of restructuring challenges, policymakers must find a finer balance between maintaining market stability and providing flexibility for firms to adjust. Transparent policy adjustments should consider the specific needs of markets and firms, e.g., adjusting land supply policies to promote a balanced housing and commercial property market development. International comparisons, such as the enhanced lending standards and financial regulation in the US after the 2008 financial crisis, provide valuable lessons for controlling market overheating and debt risk. China can use these experiences to formulate regulatory measures per its national conditions. Through these comprehensive strategies and precise regulation, China's property market will be able to maintain stability in a changing economic environment and lay a solid foundation for sustainable development. This study provides comprehensive analyses and practical strategic recommendations for understanding and responding to the restructuring of China's property market and provides guidance and reference for policymakers and industry practitioners.

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