Under the Background of the New Model of Real Estate Development, the Current Situation, Difficulties and Countermeasures of Regional Real Estate Enterprises Analysis

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Abstract: This article, set against the backdrop of China's new real estate development model, focuses on the current situation, challenges, and strategies for regional real estate companies. The study highlights that the current real estate market faces structural supply and demand imbalances, high inventory levels, and inadequate ESG performance. Using Binjiang Group as a case study, the article conducts a multi-dimensional analysis. By examining its business structure, strategic layout, and financial performance, it reveals the profit pressures and transformation needs of regional enterprises under high-turnover strategies. The article suggests that companies should enhance their core competitiveness by optimizing existing assets, upgrading product lines, and reinforcing social responsibility. Additionally, they should explore differentiated development paths in line with policy guidance, such as the construction of affordable housing, to provide a reference for the industry's high-quality transformation.

Keywords:New Development Model; Regional Real Estate Enterprises; Destocking; ESG Performance; Binjiang Group

1. Introduction

With the in-depth implementation of the new urbanization strategy, the supply and demand pattern of China 's real estate market has undergone fundamental changes. The main contradiction of the housing problem has gradually changed from a total shortage to a structural supply shortage under the basic balance of the total amount. From the perspective of supply structure, the current supply of affordable housing is still insufficient, especially in large cities. High housing prices have become a bottleneck restricting new citizens and young people to live and work in peace and contentment. From the perspective of residents ' demand, the concept of housing consumption has changed from simple " with or without " to " good or bad. " The demand for improved housing has continued to grow, and residents ' expectations for improving living quality and living environment have become stronger.

In the research on the new model of real estate development, scholars Ni Pengfei, Ni Zhuangzhuang and Xu Haidong all believe that the new development model is a high-quality development model that integrates the guarantee and market, takes ' housing and housing not speculation ' as the fundamental positioning, endogenous power as the fundamental driving force, stock optimization as the strategic focus, and stable and healthy, virtuous cycle and green wisdom as the basic requirements. In the exploration of the transformation of enterprises in the face of the new model of real estate development, each scholar has different opinions. Xu Xiaoping believes that real estate enterprises should return to rational management, establish a risk prevention and control system, and actively enhance their product strength; Wang Lixin and Chen Xiao think that housing enterprises should grasp the grasp of the " three major projects, " focusing on the construction of affordable housing, the construction of public infrastructure for " dual-use " and the reconstruction of urban villages. For this view, Zhong Tingjun, Chen Zhengyin and other scholars have also reached a consensus. In summary, the world 's understanding of the new model of real estate development has reached a consensus based on policy orientation, but in this context, there are still differences in the discussion of how to transform and develop enterprises. The author believes that the existing scholars ' views on the new model of real estate development have been unique, but it is a lack of consideration to discuss the path of enterprise transformation without talking about the enterprise environment. The regional positioning of enterprises is a major factor affecting the enterprise environment.

Therefore, based on the analysis of the current situation of regional enterprises, this paper makes a multi-dimensional analysis of Binjiang Group. From the top-level vision to the implementation of the strategy, we can see the development direction of regional enterprises vertically, and finally take the policy setting as the main tone, and put forward the strategic countermeasures and suggestions to help the regional enterprises represented by Binjiang Group reshape the core competitiveness from the perspectives of stock, product line and social responsibility.

2. Industry Development and New Models

2.1 Market Overview

China's real estate industry has experienced profound structural adjustments and policy-led changes in recent years. Since 2023, the central government has adopted a series of policies to optimise the relationship between supply and demand for real estate, aim to strengthen financing support and ease the pressure on corporate liquidity, and gradually promote the industry's transition from risk prevention and control to market recovery. However, the overall demand in the real estate market remained weak due to factors such as slowing economic growth, increasing volatility in residents' income growth and high property prices and inflationary pressure(Bank of China Research Institute, 2023). According to statistics, 2023 saw a 8.5% decline in the national sales area of commercial properties, of which the sales area of residential properties declined by 8.2%%. China's major cities faced high inventory pressure and a depreciation cycle of more than 22 months in the major cities (Shanghai E-House Real Estate Research Institute, 2024). The importance of the inventory market, represented by second-hand housing, has increased significantly, with the share of second-hand housing transactions rising to 44% of total transactions in 2023, reflecting the gradual emergence of the inventory market as a new growth point (China News Network, 2024).

At the supply-side level, according to statistics, property development investment has been negative for years, falling 9.3% year-on-year from January to October 2023. Land transaction GFA declined by 35% year-on-year, and the imbalance between supply and demand led to further intensification of inter-regional market differentiation. Continued urbanisation brought some incremental space for municipal counties and county-level cities, with the national urbanisation rate reaching 66.16% in 2023, an increase of 0.5 percentage points from the previous year. However, the aging population and low fertility rate have changed the structure of housing demand, with demand for small and age-friendly homes increased (People's Daily Financial Research Institute, 2023).

In terms of the competitive landscape, according to CREIS data industry concentration has declined significantly. The number of 10 billion real estate enterprises decreased from 150 in 2021 to 78 in 2023, and the market share of central and state-owned enterprises rose from 26.7% in 2021 to 49.9% in 2023. Local urban investment companies and diversified industrial enterprises are emerging in the development of subsidised housing and regional markets with financial support and regional resources. Overall, the property industry is in a period of deep adjustment. The future development of the industry will be driven by policy support, market demand structure optimisation and technological innovation, in order to realise the transition from incremental expansion to stock optimisation, and to promote the high-quality development of the industry.

2.2 Top-level Design and Local Policies for a New Model of Property Development

The new model for China's real estate development is a strategic choice made against the backdrop of the transformation of the economy and society from high-speed growth to high-quality development, aiming to promote the transformation of the industry from incremental expansion to stock optimisation through the synergy of top-level design and local policies, and to achieve a balance between supply and demand and high-quality development under the dual-track system of "market + security". The new model focuses on solving the contradiction between housing supply and demand, addressing the problems of insufficient supply of guaranteed housing and high housing prices, and providing more suitable living conditions for new citizens and young people by adjusting the supply structure and optimising the allocation of resources. At the same time, residents' housing consumption concepts have gradually shifted from "availability" to "quality", and demand for improved housing has continued to grow, further promoting the improvement of housing quality. The risks associated with the traditional "high-debt, high-leverage, high-turnover" model have also become the focus of industry transformation, and the new model promotes the development of the industry in a more robust direction by adjusting the mode of business operation and optimising the risk control mechanism.

Compared with the past, the top-level design of the Third Plenary Session of the 20th CPC Central Committee is more comprehensive and detailed, with specific requirements on risk prevention, model optimisation, flexible governance and other aspects, providing institutional guarantee for the high-quality development of the industry. Meanwhile, local policies focus on city-specific measures in implementing the spirit of the Central Government, taking into account the characteristics of the regional market and implementing measures including housing protection, optimisation of credit and provident fund policies, and de-inventorying, in order to stabilise market expectations and promote the stable development of the real estate market. Through the coordination and implementation of top-level design and local policies, the new model of real estate development has gradually formed a high-quality development path guided by structural adjustments, and parallel protection and market-based supply, providing strong support for the industry to achieve sustainable development.

3. Current Situation of Regional Enterprises Under the New Development Model

3.1 Summary of Existing Problems of Regional Real Estate Companies

(1) The Arduous Task of Destocking

According to data, as of March 2024, the inventory of China's real estate industry remains at a high of 488 million square meters, equivalent to 85% of the historical high in 2015, showing that the task of destocking is still arduous. Relevant scholars have also found that China's real estate inventory pressure has not been stably and effectively alleviated during the supply-side structural reform process (Ren Baoping and Miao Xinyu, 2022). The effect of monetary policy used to regulate the inventory of the real estate market has obvious regional differences (Wang Xianzhu et al., 2011), and the real estate inventory pressure in different regions also shows obvious differences (Wang Xianzhu and Wu Yidong, 2016). At the same time, for regional real estate companies, due to the relatively concentrated nature of land, the issue of destocking is undoubtedly one of the most urgent tasks at present.

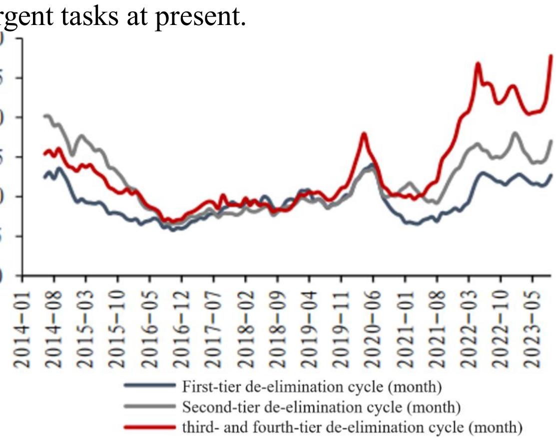

Figure1. China's 1st-, 2nd-, 3rd- and 4th- Tier De-Elimination Cycles Are 13, 17, 28 Months Respectively

Data source: China Index Institute, Wind, Soochow Securities Research Institute.

(2) Insufficient Product Depth

The interaction of different factors such as expansion and rapid economic growth has further forced China’s real estate industry to develop in depth. The market supply and demand situation faced by regional real estate companies is different from that of national real estate companies. In some third- and fourth-tier cities and some remote areas, due to the large number of real estate projects launched during the past rapid development stage, there has been an oversupply of housing and a prominent inventory backlog. At the same time, with the changes in the economic situation, the slowdown in population growth and the slowdown in urbanization, market demand has gradually weakened. This imbalance between supply and demand requires regional real estate companies to pay more attention to product diversity and innovation, further integrate their internal resources, give full play to industry competitive advantages, expand and develop different business lines, and form a real estate development-centered comprehensive real estate supply chain. (Wang Wei, 2016).

(3) ESG Performance Needs to Be Improved Urgently

Under the policy background that requires active exploration and development of new development models and the frequent "thunder" defaults in the industry, the ESG performance of real estate companies is undoubtedly the way for domestic real estate companies to break through. It is key to gaining attention for sustainable investing (Ma Zichen, 2023). ESG performance has become one of the important indicators for measuring corporate value. Compared with national real estate companies, regional real estate companies need to rely on good ESG to obtain local policy support to acquire land. At the same time, relying on local reputation, ESG can create differentiated advantages. In addition, its project concentration is easily affected by local environmental and social factors, so more attention should be paid to the risks and costs that can be reduced by ESG.

4. The Company's Fundamental Analysis

4.1 Business Overview

Binjiang Group carries out real estate as the main business and other businesses as the diversified safety margin, and carries out service, leasing, hotel, health care service, industrial investment business and so on. The main business of real estate is an important basis for the company 's diversified business. Leasing, hotel and health care business are mainly extended and developed by the main business of real estate. They are mainly self-sustaining and relatively small in scale, accounting for a relatively small proportion of the company 's revenue over the years.

Figure2. Business of Binjiang Groups

It can be seen that from the perspective of the contribution of business to operating income, the real estate sales business almost monopolizes all the profit space, while other businesses, such as real estate leasing and hotel management, contribute only less than 1 % of operating income. This figure is amazing. On the one hand, it reflects the ability of Binjiang Group 's management to implement the strategy. On the other hand, it shows that the scale of Binjiang Group 's existing business is significantly different.

Based on the above analysis, Binjiang Group focuses on real estate in its business scope, and other businesses are diversified safety margins, carrying out services, leasing, hotels, health care services, and industrial investment business ; from the perspective of the proportion of revenue, the real estate sales business has almost monopolized all the profit space, while other businesses, such as real estate leasing, hotel management, etc., contribute only less than 1 % of operating income. From the perspective of business scope, Binjiang Group has established the strategic direction of ' focusing on Hangzhou, cultivating Zhejiang, radiating East China, opening up the Guangdong-Hong Kong-Macao Greater Bay Area, and focusing on key cities in the central and western regions ' in the regional layout.

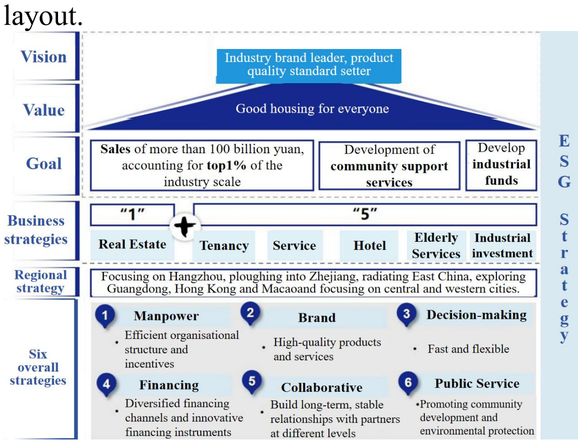

Figure3. Corporate Strategy of Binjiang Groups

4.2 Corporate Strategy

Amid the real estate industry's deep adjustment, Riverside Group remains committed to high-quality development through strategic planning and precise execution. With a vision of becoming an "industry brand leader and product quality standard setter," the Group focuses on regional deep plowing and diversified development. It adheres to a dual-wheel strategy in high-capacity cities, integrating residential and commercial properties while expanding its business ecosystem through the "1+5" strategy, covering property management, leasing, hotels, senior living, and industrial investment. This diversified approach enhances risk resilience and market stability.

ESG is a core pillar of Riverside Group's corporate strategy, driving business transformation and competitiveness. In environmental initiatives, the company prioritizes green buildings, resource optimization, and low-carbon technologies, reinforcing sustainability and investor confidence. Social responsibility is embedded in its strategy, focusing on high-quality housing, senior living communities, and smart homes. With a strong social rating (83.28, BBB), the Group enhances its brand and market position. Governance improvements, including structural optimization, transparency, and shareholder rights protection, strengthen operational stability and risk management, supporting long-term growth and capital flexibility.

As a Zhejiang-based enterprise, Riverside Group leverages local resource advantages but faces challenges in national market competition and ESG performance due to regional limitations. By deeply embedding ESG into its operations, the Group has effectively addressed industry challenges while advancing social and governance standards. Moving forward, it must further optimize environmental management and explore regional strengths for green transformation, ensuring competitiveness and achieving sustainable, high-quality growth.

5. Financial Analysis

5.1 Profitability and Working Capital Analysis

5.1.1 Analysis of Profitability

Based on the financial reporting data, this paper systematically analyzes the profitability of Binjiang Group from multiple dimensions. Five core indicators, namely net profit margin, gross profit margin, return on assets (ROA), return on equity (ROE) and earnings per share (EPS), are selected to reveal the dynamic changes in the quality of corporate earnings by comparing the data of the same period in 2022 with the industry average in 2023.

According to the data, Binjiang Group's net profit margin in 2023 will drop sharply by 32.14% year-on-year, which is significantly higher than the industry average (-18.5%). This phenomenon is in strong contrast with the year-on-year surge of 69.73% in corporate revenue, revealing the core contradiction of "increasing revenue but not increasing profits". An in-depth analysis of the notes to the annual report shows that the anomaly is mainly due to two aspects: first, the liquidation of LAT resulted in a 48% year-on-year increase in taxes and surcharges; Second, the provision for inventory decline and the credit impairment loss of accounts receivable totaled 4.32 billion yuan, accounting for 61% of the net profit, directly eroding the profit margin.

Table 1. Profitability Analysis of Binjiang Group

Profit Indicators	Numeric Value (%)	Relative Variability (%)
Net Profit Rate	25.29	-32.14
Gross Profit Rate	16.8	-0.72
Return On Equity	16.76	-0.72
EPS	1.03	-0.8

Data source: Creary

Compared with the leading enterprises in the industry (Table 2), Binjiang Group's revenue growth rate (69.7%) far exceeded the average of the TOP100 real estate enterprises (17.3%), but the net profit decline (-32.4%) was significantly smaller than that of the industry as a whole (-54.4%). This difference reflects that the company has achieved scale expansion through a high-turnover strategy, but the gross profit margin continues to be under pressure (down 12.8 pct in three years), mainly due to: 1) limited increase in project selling prices under the price limit policy, 2) the premium rate of land auctions in the core area of the Yangtze River Delta remains high, and the average floor price of residential land in Hangzhou will increase by 9.3% year-on-year in 2023, compressing profit margins. It should be noted that the ROE of enterprises (16.76%) is still higher than the industry average (13.2%), indicating that the efficiency of asset operation is relatively leading, but the leverage multiplier decreased by 0.3 times year-on-year, reflecting the short-term impact of active debt reduction on profitability.

It can be seen that Binjiang Group 's revenue growth is higher than the industry average, and the revenue ceiling of head enterprises is decreasing. And most of the housing enterprises have increased income without increasing profits, which may be related to the impact of market downward pressure on housing enterprises. The gross profit rate of most listed housing enterprises shows a continuous downward trend.

Table 2. Other Housing Enterprises Revenue Changes and Net Profit Changes Indicators

company	2023 Revenue change (year-over-year)	2023 (year-over-year)
Binjiang Group	69.7%	-32.4%
Top 100 housing enterprises	17.3%	-54.4%
Mainland real estate companies listed in Hong Kong	5.0%	-29.6%
Real estate companies listed in Shanghai and Shenzhen	2.1%	-38.2%

Data source: Monitoring data of China Finger Research Institute

5.1.2 Analysis of Working Capital

According to the financial data, the company's working capital indicators are as follows:

Table 3. Binjiang Group Working Capital Index Data

Current assets	2582.01（Million）
Current liabilities	2027（Million）
Working capital	555.01（Million）

Data source: Creary

The ability to manage working capital directly affects the short-term liquidity security of enterprises. As shown in Table 3, Binjiang Group's working capital in 2023 reached RMB55.501 billion, with a current ratio (1.27) increasing by 0.15 and a quick ratio (0.89) improving by 0.11 year-on-year, indicating an enhanced short-term solvency. It is worth noting that the company's pre-receivables amounted to RMB128.4 billion, accounting for 42% of the total liabilities, forming a "reservoir" effect - the pre-sale system makes the cash collection cycle (35 days) significantly shorter than the project delivery cycle (24 months), creating cash flow from continuing operations. However, it is necessary to be vigilant against two risks: 1) the proportion of restricted funds rises to 28%, which affects the efficiency of capital use; 2) The scale of bills payable surged by 78% year-on-year, which may push up supply chain financing costs.

5.2 Liquidity and Solvency Analysis

Liquidity and solvency measured the health of the financial situation, and we selected eight indicators as the benchmark for the analysis.

Table 4. Binjiang Group's Liquidity and Solvency

Liquidity and solvency indicators	Numerical value	Change
Cash (Million yuan)	327.0	34.4%
Short term liability(Million yuan)	135.1	-7.5%
Short-term cash debt ratio	2.42	45.3%
Non-restricted cash short-term debt ratio	2.42	45.6%
Long-and short-term debt ratio	2.07	-22.3%
Net debt ratio	15.1%	-40.3%
Average financing cost	4.2%	-0.4%
The asset-liability ratio after deducting the advance income	56.4%	-4.3%

Data source: Creary

Liquidity and solvency analysis should be based on the characteristics of the industry. As a capital-intensive industry, the ability to cover short-term debt and control financing costs are particularly crucial. As shown in Table 6, Binjiang Group's cash short-term debt ratio (2.42) increased by 45.3% year-on-year, far exceeding the one-time threshold required by the "three red lines", and the unrestricted cash short-term debt ratio increased by 45.6% at the same time, indicating that the real debt repayment capacity is strong. In terms of debt structure, although the ratio of long-term to short-term debt (2.07) decreased by 22.3% year-on-year, it still maintained a reasonable maturity match - short-term debt accounted for 32%, lower than the industry average (45%), to avoid centralized payment pressure.

The financing cost indicator is more strategic: the average financing cost of enterprises is 4.2%, which is 260BP lower than the industry average (6.8%), and has been declining for three consecutive years. This advantage stems from: 1) maintaining the credit rating of the entity AAA, and successfully issuing a 5-year corporate bond with a coupon of 3.9% in 2023; 2) The proportion of green financing has increased to 21%, and low-cost financial support from policy banks has been obtained. The asset-liability ratio (56.4%) after deducting pre-receivables decreased by 4.3 pct year-on-year, and the "three red lines" indicator remained in the green file across the board, which built a margin of safety with the support of the net debt ratio of 15.1% (down 40.3% year-on-year).

5. Strategic Recommendations

In the era of inventory, how to revitalise inventory projects has become the key for regional real estate enterprises. Enterprises can enhance the value of stock projects through large-scale operations. Drawing on the experience of Vanke, Poly and BGL, enterprises can integrate multi-functional businesses, such as residential, commercial, office and hotel, to create urban complexes, so as to enhance the commercial value and market attractiveness, and to promote the sales of stock projects. Meanwhile, for properties that have been vacant for a long period of time, enterprises can carry out high-quality renovation by optimising community facilities, landscape renovation and structural reinforcement to enhance the market competitiveness of the projects. In addition, in-depth exploration of local historical and cultural resources and their integration into project development will give the community a unique cultural heritage, thereby enhancing the competitive advantage of market differentiation.

Compared to other industries, traditional real estate relies on an asset-heavy model, and the growth method of relying solely on asset-heavy development is risky. Therefore, the Company may combine its strengths in real estate development with the expansion of light-asset businesses such as construction agency and property management to optimise the overall business layout. In the construction business, the Company can enter new markets at low cost by leveraging its brand and development experience, which not only reduces the level of liabilities, but also forms a positive interaction with the property management business and expands its market influence. In property management, as a typical asset-light model, property management can provide stable cash flow and enhance the added value of residential and commercial projects. Companies can rely on their own property projects to develop property management and gradually expand into the regional community market as they mature.

Corporate Social Responsibility (CSR) has become an important factor in brand image building and strengthening the trust relationship between customers, society and stakeholders. While pursuing economic benefits, regional real estate enterprises should actively participate in public welfare, environmental protection initiatives and social welfare construction. In terms of rural revitalisation, real estate companies, with their own accumulation of resources and experience in construction and operation, can promote industrial poverty alleviation, agricultural modernisation and the development of special rural projects through cooperation between government and enterprises. In terms of environmental protection, the real estate industry has yet to form a systematic and large-scale green building development strategy. Enterprises can implement green building certification in all development projects and widely use low-carbon technologies such as solar panels and rainwater recycling to reduce the environmental impact of the building's lifecycle, as well as introduce the concept of ‘green community’， which can be implemented through low-carbon and energy-saving community design and intelligent environmental protection. At the same time, the concept of 'green community' has been introduced to enhance environmental value through low-carbon and energy-saving community design and intelligent environmental facilities. In addition, in respect of the construction of subsidised housing, the Company may, based on its existing projects, strengthen cooperation with the government and other real estate enterprises to expand the coverage of subsidised housing construction and further expand to neighbouring cities with strong demand, so as to enhance the Company's social contribution.

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