

China: Evergrande files for bankruptcy protection in US

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The real estate giant is trying to safeguard its assets within the US. Many developers have been facing similar issues in China's expansive property industry.



Evergrande opened a debt restructuring strategy earlier this year.

Image: Aly Song/REUTERS

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Chinese **real estate giant Evergrande Group** has submitted an application for bankruptcy protection in the United States, according to official court documents released on Thursday. This move is aimed at safeguarding its assets within the US jurisdiction while it tries to orchestrate a comprehensive restructuring plan.

Once a prominent player in **China's** real estate landscape, the embattled Evergrande encountered significant challenges in 2021, when it became apparent that the company was grappling with an overwhelming liability exceeding \$300 billion (€276 billion).

The plight of Evergrande, one of the country's biggest real estate developers, has become emblematic of the deepening issues within China's expansive property industry.

This sector — one of the most important in the **world's second-largest economy** — has caused widespread concern that some believe may have global repercussions.

What happened to Evergrande?

Many developers have been facing similar problems, resulting in stalled housing projects that triggered protests and even mortgage boycotts from dismayed homebuyers.

Evergrande has been working on a debt restructuring strategy for several months and unveiled a proposal earlier this year. The most recent court documents make reference to the ongoing restructuring proceedings in Hong Kong.

In July, Evergrande reported net losses totaling over \$113 billion in 2021 and 2022.

Evergrande defaulted on its bond payments in 2021, prompting fears of potential contagion within the financial system.



Chinese real estate was once a booming market, but now its future seems uncertain

Image: Ichiro Ohara/Yomiuri Shimbun/AP/picture alliance

How is Beijing reacting to the instability of China's real estate sector?

The emergence of China's real estate sector gained momentum in the late 1990s following housing reforms, fueled in part by societal norms that regarded property ownership as a prerequisite for marriage.

However, the towering debt amassed by major industry players has prompted Beijing to view this as a considerable risk to both China's **financial stability** and its broader economic well-being.

In a bid to alleviate the sector's debt burden, authorities have incrementally imposed stricter conditions on developers' access to credit since 2020, effectively drying up financing avenues for already indebted firms.

This progression triggered a series of defaults, most notably exemplified by Evergrande, eroding the confidence of potential property buyers and sending shockwaves through the entire industry.

Another **significant player in the Chinese property domain, Country Garden**, is at risk of defaulting on its bond payments in the coming month. The company acknowledged "significant uncertainties" regarding the redemption of its corporate bonds.

In recent times, Beijing has embarked on efforts to fortify the sector by slashing mortgage rates, streamlining bureaucratic procedures, and extending more generous loan provisions to developers.