Research on Debt Financing of Real Estate Industry

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Abstract: In recent years, under the influence of national macro-control, the rapid development of China's real estate industry plays a crucial role in promoting the growth of national economy and improving people's living s tandards. On the one hand, the rapid development of China's real estate industry has effectively promoted the development of the national economy, making the industry become the leading force in the field of economic development; On the other hand, the continuous growth trend of China's real estate industry has effectively promoted the development process of debt financing in this industry, and flexible capital operation is conducive to the continuous breakthrough and progress of this industry. However, with the rising level of economic development, many problems in the industry are also emerging. From the perspective of social macro economy, real estate industry, as a pillar of China's economy, plays a great role in maintaining the stable development of the national economy. From the perspective of people's livelihood, real estate industry, as an industry closely related to the people, whether it can develop healthily is directly related to people's quality of life. Therefore, how to effectively solve the financing problem of the real estate industry and expand the financing channels of the real estate industry, so as to help alleviate the increasingly contradictory trend of China's financing system, which has become a huge problem to be solved in the whole industry.

1. Introduction

1.1. The Research Background and Significance

Since 2016, China's real estate industry has experienced a process from easing to gradually tightening. With the rapid growth of house prices and land prices in popular cities, the "two sessions" promulgated the policy of destocking due to the city's policy, which made the policy differentiation more obvious. On the one hand, it is mainly manifested in the tightening of property market regulation policies in first-and second-tier cities, the strengthening of restrictions on purchases and loans, and the increasing of various regulatory measures; On the other hand, the third-and fourth-tier cities improved the market environment from both sides of supply and demand under the government's destocking policy, which effectively catered to the trend of the real estate industry. After the two sessions, a number of cities have intensively introduced policies to tighten the regulation of the property market, and have joined the ranks of purchase restriction. Local governments have actively stabilized market expectations. Therefore, how to effectively curb speculative demand, strengthen the prevention of market risks, strengthen the construction of long-term mechanism of the real estate industry, and build a good environment for the long-term development of the industry is worth pondering.

On March 5, 2017, at the fifth session of the 12th National People's Congress, Premier Li Keqiang pointed out in his government work report that the broad masses of the people should adhere to the principle of housing residence, and all political institutions should actively implement the main responsibility of local governments. Under the measures of classifying and regulating the real estate market, cities with high pressure of rising house prices will increase their residential land reasonably. At the same time, all government entities should standardize the behaviors of development, sales and intermediary, so as to prevent the phenomenon of market chaos caused by the excessive rise of housing prices in hot cities.

In addition, the national property market is undergoing a new round of strict regulation and control. At present, the first-and second-tier cities have basically fully restored the credit policy of "recognizing both houses and loans"; Qingdao, Xiamen, Fuzhou, Guangzhou, Zhuhai, Changzhou, Yangzhou and more than a dozen other second-and third-tier cities have introduced the policy of "restricting sales", which belongs to the category of "overweight" regulation.

Looking forward to 2017, housing prices in first-and second-tier cities are expected to fall under the control of the government, and prices will also tend to be stable; Third-tier cities are expected to continue their good situation with the support of the government's destocking policy, and their housing prices will show a steady growth trend. On the contrary, if house prices continue to rise beyond the tolerance of the government, the state may introduce more stringent control policies.

In today's rapidly changing development process, in order to survive in the fierce market competition environment, strong reserve funds have become an indispensable part; In the course of continuous breakthrough and innovation, in order to effectively maintain the stable operation of enterprises, they often solve their own problems such as insufficient funds through continuous financing behavior. Existing financing methods mainly include internal retained earnings, debt financing and equity financing. Therefore, for enterprises, different debt financing structures, debt financing periods and debt financing costs will not only have a huge impact on their debt financing, but also have an inestimable significance for their future development.

In recent years, with increasing support for the real estate industry and vigorously expanding the trend of urbanization, people's demand for commercial housing is increasing, which leads to the rapid development of China's real estate industry. The steady and high-speed development of the real estate industry also shows that the development and operation of the industry needs a lot of funds to give the industry strong support. The industry not only needs the support of internal financing, but also needs external funds. Compared with other industries, due to the large-scale and relatively centralized use of funds in the real estate industry, coupled with the scattered and long-term impact of capital withdrawal, real estate enterprises are far more dependent on debt financing than other industries, and their demand for debt financing is also more demanding. On the one hand, there are some potential problems in China's real estate industry, such as single financing channel and excessive proportion of indirect financing. On the other hand, the risk management level of China's real estate industry is low, and at the same time, it is too dependent on banks, and the whole development process is inseparable from the bank's financial support, lacking relative independence, which increases the credit risk and is not conducive to the development and operation of enterprises. This paper studies the problem of debt financing in real estate industry, probes into the influencing factors of debt financing, in order to find the measures to optimize debt financing, and puts forward corresponding suggestions to effectively solve the hidden dangers of debt financing, and strengthen the supervision of the market on corporate debt financing, so as to finally realize the healthy and lasting development of real estate enterprises.

1.2. The Real Estate Industry Financing Research Status at Home and Abroad

At present, the research on debt financing of real estate industry in China mainly focuses on the design and innovation of financial instruments. Due to the shortage of research funds, difficult research conditions and backward research tools in China, the research on debt financing in China's real estate industry is mainly focused on the theoretical framework, and has not yet gone deep into detail. We have several typical views on introducing financing instruments and developing new financing instruments: (1) Advocating new financing methods such as real estate trusts and funds, and introducing advanced management operation modes, so as to truly introduce norms into China's real estate debt financing market system. (2) Promote financing methods such as listing, bonds and overseas financing. (3) Advocate the development of new financing tools, vigorously develop new financing tools, and advocate pawn and real estate financial leasing. It is the fundamental way to solve a series of deep-seated problems in the real estate industry by effectively connecting debt financing and operation management. (4) Advocate the combination of financing instruments. China can't be limited to traditional financing methods. Corporate debt financing has different composition characteristics, and there are differences in debt Maturity Structure, debt Priority Structure and debt Placement Structure. Since 1980s, the influencing factors of corporate debt financing have gradually attracted the attention of foreign scholars and developed into a research hotspot, which has achieved certain research results.

On the contrary, American real estate capital market is the most mature and largest system, and its research on real estate finance is also the most advanced. There are mainly two systems in the field of American real estate finance: (1) analyzing the product design and financial principles of real estate financial instruments in a standardized way; (2) It is an empirical analysis of the investment portfolio of real estate financial instruments. Because China's economic and institutional environment is quite different from that of foreign countries, the development of China's securities market is in a transitional period, and the capital market is not perfect, so it is not convincing to transplant foreign empirical conclusions directly to China. However, foreign research results undoubtedly provide a certain theoretical basis and research methods for studying the debt financing problem of listed companies in China. Chinese scholars draw lessons from foreign theoretical literature and research practice, and begin to gradually pay attention to the debt financing structure of companies and pay attention to the continuous use of financial instruments.

Chen Lei (2016) believes that real estate enterprises have some inherent obstacles in financing, which need to be overcome. Looking at the domestic real estate companies' own problems, on the one hand, the company's own management level is limited, and there are problems in the management mechanism: the company has a family-style management model. These problems not only easily lead to the rigid management mode and ambiguous property rights, but also make it difficult for enterprises to attract excellent managers and technical talents, which runs counter to the development trend of market economy. On the other hand, the financial information is hidden and lacks transparency. The openness and authenticity of the company's property information is relatively low, which will lead to the information inequality between creditors and debtors, resulting in suspected loan fraud.

The research results of Chen Yi (2017) show that with the continuous development of society, people gradually pay more attention to the debt financing structure and other issues, and because the debt financing structure affects the overall performance of the company, the relevant technical personnel should deepen the research on this issue and provide favorable conditions for the healthy and stable development of contemporary real estate companies.

Xiao He (2018) believes that the development of real estate enterprises plays a vital role in China's economic construction and people's livelihood construction. As a capital-intensive industry, financing plays a vital role in the development of the real estate industry. China's real estate enterprises give priority to debt financing, and the cost of debt financing is the main factor in debt financing of real estate enterprises. Anti-enemy companies should try their best to reduce the cost of debt financing, so as to ensure the operating profit of real estate enterprises and promote the stable development of real estate enterprises.

Masulis(1983) thinks that debt financing is accompanied by increasingly fierce competition in the market economy. In order to survive and develop in the market, enterprises need to find new growth points for the sustainable development of enterprises. But at present, most small and medium-sized enterprises have the problem of insufficient funds. Enterprises have limited ability to maintain the normal development of enterprises by means of shareholders' capital increase and self-accumulation, so they can only raise funds by means of borrowing and other financing methods to maintain the normal operation of enterprises.

Therefore, on the basis of successful practical experience at home and abroad, on the basis of previous studies and theories, and in combination with China's institutional background and development environment, it is of great significance and a certain practical basis to explore the debt financing problem of the real estate industry and the corresponding countermeasures.

2. Real Estate Debt Financing Theory

2.1. The Definition of Debt Financing

Financing is financing. Broadly speaking, it refers to the movement process in which funds are transferred from fund providers to demanders. In a narrow sense, financing is the integration of funds, which is commonly referred to as the source of funds. Modern enterprise financing refers to a financing form in which the enterprise as the main unit carries out financing, so as to maintain that the enterprise and its internal capital demand can reasonably migrate and move from unbalanced dynamics to balanced dynamics. In order to effectively maintain the dynamic balance between the supply and demand of funds and realize the reasonable leverage effect, when the funds are in a shortage state, timely use the minimum cost to raise funds to maintain the steady operation of the enterprise; When the funds are in a surplus state, they can be properly released to realize relative surplus profits and maintain part of the supply and demand of enterprises.

Real estate financing refers to the economic activity led by the real estate industry, that is, the behavior and measures of financing the real estate industry through various financial instruments and methods. Real estate financing in a broad sense refers to all financial activities of raising, financing and settling funds. Real estate financing in a narrow sense only refers to one part of it, that is, specifically refers to the financing behavior. The communication between debt financing and equity financing constitutes two main ways of enterprise financing. Equity financing means that the company obtains the required funds by transferring the ownership of the company to individual or institutional investors. Debt financing means that the company obtains funds by borrowing from banks and issuing bonds to the outside world. Compared with equity financing, debt financing has unique characteristics: (1) term. (2) Repayment. (3) Cost. Fixed cost of obtaining funds for enterprises. (4) liquidity.

2.2. Description of Financing Theory

The foreign real estate debt financing system is relatively perfect, the development mode is also very developed, and the available financing channels are diversified. Therefore, the research on real estate financing is very focused on the structure, and the optimal financing structure is used to choose the financing mode. Its theoretical basis is mainly MM theory, balance theory and new precedence theory, which have been verified by foreign friends.

For example, in 1958, American economists thoroughly explored Liani and Miller's thesis "Capital Cost, Corporate Finance and Investment Theory" published in American Economic Review, which created the beginning of modern financing theory. MM theory is put forward on the basis of further developing the early theory of operating income. After a very strict mathematical deduction, it is proved that under certain conditions, the value of an enterprise has nothing to do with the financing method applied by the enterprise. After MM theory, different economists put forward different financing structure models.

In the mid-1970s, the "balance theory" of the optimal financing structure came into being, namely, "the balance between the tax revenue of liabilities and the limit of bankruptcy cost". According to this theory, the main reason that restricts enterprises from pursuing unlimited tax exemption or maximum debt is that the increase of debt leads to the rise of enterprise risks and debts, thus causing enterprises to fall into financial crisis. With the increase of corporate debt, the corresponding risks and various expenses will increase the additional costs of enterprises, thus reducing their market value. Therefore, the best financing structure of enterprises is the best combination of financial crisis cost and agency cost under the condition of maximizing the value of liabilities.

2.3. Definition of Debt Financing Cost

Financing cost is the product of separation of capital ownership and capital use right, and the essence of financing cost is the reward paid by capital users to capital owners. Since enterprise financing is a kind of market transaction, there will be transaction costs. In order to obtain the right to use funds, the users of funds must pay the relevant costs. Such as registration fees and agency fees paid by entrusting financial institutions to issue stocks and bonds as agents, and handling fees paid by borrowing from banks, etc. Therefore, enterprise financing cost actually includes two parts: financing cost and capital use fee. Financing expenses are all kinds of expenses incurred by enterprises in the process of fund raising. The capital use fee refers to the remuneration paid by an enterprise to its provider for using funds, such as dividends and bonuses paid to shareholders by stock financing, interest paid by issuing bonds and borrowing, rent paid by borrowing assets, and so on. It should be pointed out that the meaning of the above financing cost is only the financial cost or explicit cost of enterprise financing. In addition to financial costs, there are opportunity costs or hidden costs in enterprise financing. Opportunity cost is an important concept in economics, which refers to the highest profit from using a certain resource for a specific purpose and abandoning other uses.

Generally speaking, the financing cost index is expressed by the financing cost rate: financing cost rate = capital use fee ÷ (total financing-financing cost). The financing cost here is the capital cost, which is the object that the general enterprises focus on in the financing process.

2.4. The Definition of the Risk of Debt Financing and its Causes

Debt risk refers to the various risks that enterprises encounter in the process of debt financing under the influence of various uncertain factors, and the repayment risks of enterprises in the future production and operation process. The main risks include the following aspects: (1) The company's debt financing will reduce the company's investment ability, control its unlimited investment impulse and protect the interests of investors. (2) Debt constraint increases the possibility of bankruptcy. In some cases, bankruptcy may be more beneficial to investors. But operators are generally reluctant to let the company go bankrupt. (3) Debt financing will weaken the role of the real estate industry in ineffective investment. Generally speaking, the debts of emerging companies are relatively lower than those of mature companies, because there are relatively few investment opportunities in mature industries, and these companies have accumulated more debts in their long-term operations. On the contrary, emerging companies bear relatively few debts, and they are still groping for the market.

Financing risk often occurs in corporate debt financing behavior, and its causes include the following aspects. (1) managers are not fully aware of the risk of debt financing. (2) Enterprise investment decision-making mistakes. (3) Changes in market interest rates and exchange rates. When raising funds, enterprises may face risks brought by changes in interest rates or exchange rates. And the level of interest rate and exchange rate directly determines the capital cost of enterprises. (4) The bank's debt supervision of enterprises is insufficient. High debt does not play the governance role of creditor's rights. It not only does not effectively motivate and restrain the behavior of enterprise managers, but distorts the relationship between banks and enterprises. The constraint of China's bank debt on enterprises is soft. (5) The system is not perfect. As the current financing system in China is still not completely market-oriented, most banks and listed companies are state-controlled. In view of the risks in debt financing, the real estate industry should establish a correct awareness of the risks in debt financing.

3. Real Estate Industry Debt Financing Analysis

3.1. The Financing Status and Existing Problems of Real Estate Industry

3.1.1. Internal Financing

Internal funds mainly include industry own funds, registered capital, capital accumulation fund and other own funds; In addition, it also includes some discounted bills and bonds, buildings to be sold immediately, various receivables that can be recovered in the near future, and payments for various properties that can be sold in the near future. Self-owned capital is the foundation and guarantee of enterprise management, and the state has strict requirements on the proportion of self-owned capital in the real estate industry. In the actual operation process, developers are generally reluctant to use the capital of the industry too much. Only when the profitability of the project is objective and certain, can they properly invest their own capital. The main characteristics of internal financing are as follows: (1) strong autonomy, which is less restricted and influenced by the outside world; (2) The scale is limited, the accumulation ability of the enterprise itself is limited, and the financing scale is greatly constrained; (3) The cost is low, and there is no need to directly pay related financing expenses; (4) The risk is small and there is no financial risk caused by payment crisis.

The larger the scale of an enterprise, the stronger its internal financing ability, and the better it can carry out internal financing, so as to maintain the effective construction of the real estate industry. Enterprises use the system of overall planning to carry out reasonable and effective construction, which is more conducive to breaking through the problem that the industry's capital demand is excessively dependent on banks. Similarly, a large part of the real estate industry belongs to state-owned assets, and the state has great mobilization power, which can effectively supervise the development of the real estate market and broaden the financing channels of the industry.

3.1.2. External Financing

External financing forms of banks are diversified, mainly including bank loans, corporate bonds and stock financing. However, due to the underdeveloped financial market in China, the main source of funds for China's real estate industry is bank loans. Even to some extent, it can be said that without the participation of banks, there would be no real estate industry. China's bank loan business plays an important role in the real estate industry.

Loans in China's real estate industry mainly include the following types:

(1) Credit loan means that a bank can lend money to an enterprise by virtue of its reputation. Domestic commercial banks, large and small, have always been the largest fund providers in the real estate industry, and bank credit financing is still the first choice for debt financing in the real estate industry.

(2) The essence of issuing corporate bonds, debt financing and stock financing is the same, but the risk of debt financing is relatively small, and they all belong to the category of direct financing. While credit financing belongs to the category of indirect financing.

(3) Equity financing refers to raising funds from shareholders in the form of transferring shares in the industry, including allocation and issuance of new shares and dividends in dividend distribution.

Therefore, the effective expansion of external financing is conducive to speeding up the development process of enterprises. In recent years, great changes have taken place in the debt financing structure of China's real estate industry, with the acceleration of interest rate marketization, the continuous decline of credit ratio, the rapid growth of corporate bonds, trust loans and other financing methods, and the strong debts and weak stocks since the financial crisis. These macro-economic changes have caused profound changes in the financing structure of the real estate industry at the micro level, and the debt period of enterprises changes together with the debt sources. Below, we analyze and discuss the external financing of the real estate industry from three aspects: bank loans, corporate bonds and equity financing.

3.2. Analysis of the Causes of Financing Problems in China's Real Estate Industry

3.2.1. Excessive Constraints on the Real Estate Industry's Own Conditions

The real estate industry has inherent obstacles in financing, which need to be overcome. Looking at the existing problems of the industry, it mainly includes the following aspects: the limited management level of the company itself, the defects of the market management mechanism, and the internal integration mode of the real estate industry. These aspects just lead to the rigid management mode of the real estate industry, which restricts the development of enterprises and is not conducive to the absorption of talents. Due to its strong capital chain and complicated communication, the real estate industry lacks transparency and openness. How to effectively overcome its own constraints, the real estate industry can effectively solve the debt financing problem only by increasing the introduction of new media, gradually eliminating the old media technology, and combining the corresponding macro-control policies to properly make up for the weakness in capital and technology.

3.2.2. The Real Estate Industry Has Difficulty in Financing and Relies Too Much on Indirect Financing

Since 1998, the real estate industry has entered a prosperous era of rapid development. The soaring land prices and housing prices have led to a serious "bubble" phenomenon in the real estate market, which has had a great impact on people's lives. In order to seize the opportunity to achieve rapid development, the real estate industry has raised a lot of funds from various channels, but this still cannot meet the development needs of the real estate industry. The crazy fund-raising behavior of the real estate industry also increases the financial risks faced by enterprises.

In addition, in order to regulate the real estate market, the Chinese government has introduced a series of macro-control measures for the real estate market. The approval process of listing financing and refinancing of real estate enterprises has become more strict and extremely difficult. "In terms of public issuance of shares by listed companies, it is stipulated that the issue price shall not be lower than the average price of the company's shares 20 trading days before the announcement of the prospectus or the average price of the previous trading day, and the return on net assets of listed companies shall not be lower than 6%; In the issue of convertible bonds, it is stipulated that the revised conversion price must be approved by more than two-thirds of the voting rights at the shareholders' meeting, and the revised conversion price shall not be lower than the average trading price of the stock 20 trading days before the shareholders' meeting and the average trading price of the previous trading day; In the aspect of allotment of shares, listed companies are required to make profits continuously in the last three years.

Since the beginning of 2010, the CSRC has delayed the approval of the refinancing plan of listed real estate enterprises, and the public additional issuance, private additional issuance, allotment of shares and the issuance of convertible bonds in the real estate industry have almost stagnated. This has greatly hindered the refinancing behavior of listed real estate enterprises in the capital market.

Similarly, according to the current prospects, China's real estate financing structure is relatively simple, with a large proportion of indirect financing. Real estate is a capital-intensive industry, which needs a lot of financial support to maintain its smooth progress. The real estate industry relies too much on the debt financing mode of bank loans, which will inevitably increase the credit risk of banks. Once the investment fails, banks will undoubtedly become the biggest bearers of the real estate industry risks. Although the state has increased its control over macro-policies, it has responded to the current situation of relying too much on indirect financing by powerful means. However, after all, the long-standing stable state is difficult to break, so it is urgent for more enterprises to respond to the call and broaden the financing channels, so as to realize diversified development.

3.2.3. The Real Estate Industry Lacks Financial Innovation

The development of an industry cannot be separated from innovation, which is the inexhaustible motive force for the development, and the real estate industry is no exception. The real estate industry is the leader of China's economic development, and the innovation of its industry often plays an important role in its own development. In order to effectively break the characteristics of the real estate industry such as long development cycle and large investment scale, and realize the good operation mode of the real estate industry. China should strengthen the innovation of financial instruments, improve the current situation of financing difficulties, and truly broaden the loan methods of the real estate industry.

3.2.4. The Financing Channels of the Real Estate Industry are Controlled by the Government

The rapid development of the real estate industry mainly depends on the strong support of the government. At the same time, the steady progress of the real estate industry also drives the development of the national economy, which really plays a complementary role. However, because of this, the debt financing channel of the real estate industry has also been hampered by the government to a great extent, which has played a great role in the stages of land auction, development and construction, and adjustment of the financing mode of the industry. Today's financial system is conservative and lacks diversified development trends, which is not conducive to broadening the debt financing channels of the industry. As real estate is a rising industry in recent ten years, its development speed is rapid, its trading capital chain is long, its internal system is relatively disordered, it lacks clear and rigorous laws and regulations to restrain the industry and its corresponding personnel, lacks scientific legal system, cannot strictly control the debt financing of the real estate industry, lacks consistency and coordination, and is difficult to operate, which directly affects the normal development of real estate financing channels.

4. Suggestions on Debt Financing of Real Estate Enterprises

4.1. The Real Estate Industry's Own Promotion

4.1.1. Effectively Solve the Internal Principal-agent Problem in the Real Estate Industry

The most important goal of the real estate industry should be to maximize the value of the industry. As the operators of the industry, industry managers often pursue the maximization of utility. In the financing of real estate industry, the principal-agent problem also appears. From the perspective of creditors and shareholders, enterprises should give priority to the use of creditor's rights financing, which is not only conducive to optimizing the corporate governance structure, but also can reduce the principal-agent cost. Through bond financing, the behavior of industry managers can more reflect the enterprise value and maximize the interests of shareholders. According to pecking order theory, bond financing should be the first choice for external financing, followed by equity financing. To effectively solve the principal-agent problem in the real estate industry, industry managers are required to give consideration to shareholders' interests and corporate governance while preferring equity financing to improve their own effectiveness, so as to maximize benefits.

4.1.2. Supervise the Unreasonable Allocation of Financing Decision-making Power in the Real Estate Industry

According to the requirements of the modern enterprise system, the shareholders' meeting has the right to make investment decisions, raise funds, dispatch funds and distribute profits. Management is in charge of most financial rights, and major financial rights are decided by the shareholders' meeting or the board of directors. The financing decision-making power of China's real estate enterprises should be actually controlled by the board of directors, so as to reduce the real power of industry managers and strictly control the allocation of financial power in the real estate industry. At the same time, the real estate industry should improve the operation mechanism of the board of directors, including independent financial power, control of financing decision-making power and scientific decision-making mechanism, improve the comprehensive quality of board members, improve the systematic performance evaluation system of management, standardize the operation of the board of directors, and enable the board of directors to fully exercise its due financial power. Therefore, China's real estate industry urgently needs to improve the governance status of the board of directors.

4.1.3. Increase the Intensity of M&A Loans (Seek Multi-channel and Multi-source)

M&A financing has great room to evade supervision, and the merger of real estate industry by suitable financing entities can circumvent the supervision requirements of underlying assets to a certain extent. At present, a large number of industry M&A funds or other M&A products still exist in the market, which is a typical case. However, the recent policy on M&A loans for real estate land projects is also tightening. In early 2018, the Shanghai Banking Regulatory Bureau issued the Notice on Standardizing M&A Loans to Shanghai Local Commercial Banks and Local Branches, clarifying that if M&A loans are invested in real estate development land mergers or equity mergers of real estate development land project companies, they should follow the principle of penetration, and the land projects to be acquired should complete more than 25% of the total development investment under construction; Do not invest in projects that do not pay land leasing fees in full, and do not use them to replace land leasing fees in disguise; Preventing affiliated enterprises from taking out loan funds by means of false mergers and acquisitions. This document serves as a weather vane, and besides Shanghai, financial institutions in Jiangsu, Zhejiang and Shanghai are affected by this policy to some extent. Banks in other regions also do M&A loans, but they all require the projects to meet the 432 conditions. Other types of loans include project mortgage loans and entrusted loans. At present, banks can also issue project mortgage loans if they meet the requirements, but entrusted loans have rarely been added after strict supervision of entrusted loans.

4.2. Improve the Market System of the Real Estate Industry

4.2.1. Promote the Development of the Bond Market and the Financing of Debt Financing

In order to effectively avoid the financing situation of China's real estate industry with a single financing structure and a large proportion of indirect financing, break the debt financing mode that the real estate industry relies too much on bank loans, and reduce the credit risk of banks. Therefore, under the control of the national macro policy, we should vigorously develop the bond market, especially promote the development of the secondary market, and broaden the channels of debt financing in the real estate industry. There is still a certain gap between China's bond market and developed countries. Better promote the development of China's real estate industry economic construction, and develop the bond market is the demand of market economy development. Nowadays, more and more qualified enterprises enter the bond market for bond financing. With the expansion of the bond market, it will ease the pressure on banks to lend to the real estate industry and solve the problem of financing difficulties. Only when the bonds are marketized can the bond market be truly activated, which is conducive to strengthening the free circulation of debt funds and being used for debt financing in the real estate industry. The real estate industry urgently needs to respond to the call and broaden the channels of debt financing, so as to realize diversified development.

4.2.2. Improve the Financing Evaluation System of the Real Estate Industry

Different real estate industries have different needs for debt financing, resulting in great differences between real estate industry project financing and other industries project financing. However, at present, China's real estate industry has largely ignored the uniqueness and risk of project financing in the real estate industry. Therefore, the financial evaluation system of the real estate industry has great defects when it is formulated. In the decision-making of real estate-industry project financing, the vast majority of enterprise management should also consider the risk indicators of the project financing itself when analyzing and making decisions according to the financial indicators in the project feasibility study, including evaluation indicators such as the project debt affordability ratio and debt coverage ratio. The real estate industry should pay attention to the cash flow and expected profit of the project, and rationally plan the project financing structure to achieve the effect of reasonable tax avoidance. In decision-making, besides focusing on qualitative analysis, it is necessary to quantify project risks through quantitative analysis. In addition, the decision-making objective of project financing in real estate industry should be obvious, and systematic decision-making theory and effective mathematical analysis method should be used, and the decision-making objective and project risk should be integrated to optimize the project financing structure in real estate industry. At present, the real estate industry still has a long way to go in financing structure and financial assessment system of financing projects.

4.3. Increase the Intensity of Government Macro-control

Government policies, laws and regulations are effective levers to regulate the market economy. Facing the debt financing difficulties in the real estate industry, the government can help in the following three aspects: (1) issuing relevant preferential policies; (2) formulating laws and regulations conducive to the development of group companies; and (3) issuing relevant tax preferential policies, which is a good medicine for the good operation of group companies. Many countries in the world adopt this method to promote the development of group companies and protect the interests of group companies and their investors.

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