Homebuilders and Developers

Poor affordability slows down demand

January 14, 2026

This report does not constitute a rating action.

What's changed?

U.S. mortgage rates remain high despite three federal rate cuts. The 30-year fixed-rate mortgage began 2025 at 6.9% and was 6.2% by the end of December.

Most European markets continue to weaken, while Spain has improved. Elevated construction costs, high mortgage rates, and supply hurdles constrain the sector's recovery.

China's property market is still searching for a trough. Inventory destocking will remain a priority for developers.

What are the key assumptions for 2026?

Lack of affordable homes and rates are pressuring U.S. demand. High home prices and higher-than-expected mortgage rates are pricing many buyers out of the market.

Moderate price growth in EMEA. Prices increase low-single-digit percent from a resilient job market, improving consumer confidence, and stable but still elevated mortgage rates.

China's primary property sales will decline further. Nationwide, sales will further drop in 2026 amid soft demand.

What are the key risks around the baseline?

Persistently weaker U.S. closings from second-half 2025. Lower sales in second-half 2025 may continue into 2026 if home prices remain elevated and mortgage rates fail to decline further.

Political and geopolitical uncertainty in EMEA. If risks escalate, it could disrupt the supply chain or increase risk aversion, undermining homebuilders' margins and demand.

Hong Kong's rising residential rents are supporting demand. Residential rents are rising back to peak levels from mid-2019. This could generate investment demand as rental yields of some residential properties surpass mortgage rates.

Contacts

Maurice Austin
New York
+1 212 438 2077
maurice.austin
@spglobal.com

Edward Chan, CFA, FRM
Hong Kong
+852 2533 3539
edward.chan
@spglobal.com

Franck Delage
Paris
+33 1 4420 6778
franck.delage
@spglobal.com

Sapna Jagtiani
Dubai
+971 501008825
sapna.jagtiani
@spglobal.com

Gil Avrahami
Tel Aviv
+972 37539719
gil.avrahami
@spglobal.com

Industry Outlook: U.S.

Ratings trends and outlook

Our overall outlook for the U.S. homebuilding sector is stable. Of the 28 homebuilders and developers we publicly rate, 71% have stable outlooks, 14% have positive, 11% have negative, and 4% is on CreditWatch with positive implications. This means we anticipate eight rating changes over the next 12 months--five upgrades and three downgrades. Lennar Corp., Taylor Morrison Home Corp., M/I Homes Inc., and Tri Pointe Homes Inc. are all on positive outlook, while Empire Communities Corp., LGI Homes Inc., and Century Communities Inc. are on negative outlook. Howard Hughes Holdings Inc. is on CreditWatch with positive implications as it recently announced its acquisition of higher rated Vantage Group Holdings Ltd, a specialty insurance and reinsurance company. Currently, 25% of our ratings on U.S. homebuilders and developers are investment grade ('BBB-' or higher) while 36% are in the 'B' category.

In 2025, we upgraded eight companies (29% of our rated universe), downgraded five (18%), and revised outlooks on eight. We also upgraded The New Home Co. and withdrew the ratings on Landsea Homes Corp. after New Home Co. acquired it; at the time of the original announcement, we had placed New Home Co. on CreditWatch with positive implications.

While the sector has a stable outlook, it benefits from good long-term demand, tight supply, low existing home inventory, a healthy labor market, good cost management, and thoughtful capital allocation. Many builders used the windfall from peak operating performance in 2022 to reduce debt and bolster land holdings to improve balance sheets and credit quality. Revenue for the companies range from about $238 million to slightly below $37 billion.

Main assumptions about 2026 and beyond

1. Affordability continues to suppress demand.

High home prices and higher-than-expected mortgage rates are pricing many buyers out of the market.

2. Higher incentives are stimulating sales while depressing margins.

As a percentage of sales, incentives have increased to maintain sales pace.

3. Profitability declines further.

The higher level of incentives and price cuts continue to pressure margins as the downward trend in profitability continues.

Demand remains challenged from affordability concerns. High home prices and higher-than-expected mortgage rates are pricing many buyers out of the market. The share of first-time homebuyers dropped to 21% of all buyers in 2025, the lowest since 1981. From 1981 to 2008, the share of first-time buyers averaged 40%, according to the National Association of Realtors. In addition, the median first-time homebuyer age has increased to about 40 years old from about 33 right before the pandemic and in the 20s in the 1980s. We expect the share of first-time homebuyers to continue to decline as the median first-time homebuyer age increases, unless affordability challenges ease with lower home prices and mortgage rates.

Gross margins declined for most homebuyers in 2025 primarily due to higher incentive costs. Sales volume was difficult to maintain and required additional incentives to achieve expected pace and avoid building excess inventory as demand weakened. However, the level of incentives continues to rise or remain higher than expected, causing gross margins to contract, in some cases, to pre-pandemic levels after peaking in 2022.

However, supply chains, cycle times, and labor have stabilized, offsetting some pressure. Cycle times have improved to be better than historical averages, reflecting efficiencies from negotiated cost reductions in materials and trades.

Credit metrics and financial policy

For 2025, we expect gross margin for our rated universe to average about 25% and debt to EBITDA to average about 2.5x. This represents a decline in operating performance, which peaked in 2022 with gross margins of 28.3% and debt to EBITDA of 1.3x.

Mortgage rate incentives and input cost inflation, specifically high lot prices, primarily drove the margin contraction. Builders have been moving inventory and maintaining sales pace, focusing on pace over price to improve return metrics as opposed to just profitability. The recent increase in inventory as demand drops caused builders to slow down starts in the second half of 2025, resulting in lower-than-expected deliveries. In addition, the level of incentives continues to increase, further pressuring gross margins, lowering estimated EBITDA for 2025, and increasing leverage to 2.8x.

However, we believe credit quality between investment- and speculative-grade builders is diverging. In particular, industry headwinds are impairing builders at the lower end of the rating scale--smaller and less-capitalized builders--relative to investment-grade builders, which have gained enough market share over the last few years that credit quality has not suffered as much from declining margins. Our investment-grade builders averaged debt to EBITDA of 0.8x in 2025, while speculative-grade builders averaged 3.3x.

We still consider mergers and acquisitions (M&A) as opportunistic and view it on a case-by-case basis. Still, M&A activity has increased over the past three years. There were about 14 acquisitions in 2025, year to date, including the noteworthy acquisition of Landsea Homes Corp. by The New Home Co. More recently, Howard Hughes Holdings Inc. announced its acquisition of specialty insurance and reinsurance company Vantage Group Holdings Ltd. Upon close of this transaction, which we expect in the second quarter of 2026, Howard Hughes will be transformed into a diversified holding company.

Key risks or opportunities around the baseline

1. Weak closings from the second half of 2025 persist into 2026.

During the second quarter of 2025, overall sales trends were softer, and lower sales in the second half of the year could continue into 2026.

2. Existing home inventories increase from low levels.

If mortgage rates decline enough for existing homeowners to feel confident to sell, the increase in supply could help stabilize prices.

3. Home prices decline enough to stimulate demand.

Some builders are lowering prices to target first-time buyers.

Home deliveries are trending down as demand remains soft. Builders are reducing their starts to reduce their unsold inventory as demand remains soft from cautious consumer sentiment and affordability issues. So far, unsold finished inventories are still high, and many builders revised their closing targets down in the second half of the year. We currently anticipate closings will increase for 2026, but if demand remains soft, closings may continue to trend down in the first half of the year.

Lower mortgage rates increase housing supply. The lock-in effect--in which existing homeowners do not list their homes due to their below-market mortgage rates--is compounding the limits on the resale market. About 81% of homeowners with a mortgage have a fixed rate below 6%, according to Realtor.com, with current market rates of about 6.2%. The lock-in effect has constrained supply, keeping prices high. If mortgage rates decline, inventories could increase. Mortgage rates have remained high despite the federal funds rate declining 25 basis points in September 2025. The 30-year fixed rate mortgage began the year at 6.91%, peaked at 7.04% the same month, and was 6.18% at the end of December. S&P Global economists currently expect 30-year fixed mortgage rates of 5.6% for 2026.

Home prices stabilize or decline enough to stimulate demand. Slowing demand is causing inventory to rise, specifically on homes built without a sales contract (spec houses). As such, home price growth is slowing and, in some cases, declining as most builders are lowering prices through either higher incentives or direct price cuts. About 39% of builders targeting first-time buyers lowered prices (net of incentives) in November, with the average price of a new home declining about 2%, according to John Burns Real Estate Consulting. Still, home prices are higher than during the pandemic, when demand was strong.

Industry Outlook: Europe

Ratings trends and outlook

Four European homebuilders and developers have stable outlooks, while two Spanish companies have positive outlooks, reflecting some expected consolidation within the sector. This represents a notable shift from two negative outlooks in 2024. Since then, we downgraded one of the two and lowered the stand-alone assessment of the other.

However, 2025 witnessed a wave of bankruptcies among European homebuilders, especially small and medium-sized, highlighting the sector's vulnerability to macroeconomic headwinds and interest rates. This trend underscores ongoing challenges and the need for robust financial management within the industry.

Main assumptions about 2026 and beyond

1. Moderate price growth.

Prices will likely increase low-single-digit percent due to a resilient job market, improved consumer confidence, and stable but elevated mortgage rates. While Spain may demonstrate sustained growth, France, the U.K., and Germany face greater challenges due to reliance on mortgages and political uncertainties.

2. Elevated construction costs.

Construction costs will likely remain high in 2026, keeping homebuilders' margins under pressure. This stems from strong demand for materials in other sectors and persistent labor shortages, though this may ease from peak levels.

3. Supply-demand imbalance.

Despite a housing shortage, we anticipate only a slight volume increase in 2026 due to persistently weak order books and ongoing political and economic uncertainties. Regulatory constraints and bureaucratic hurdles across key markets will continue to limit new construction supply and potentially increase costs.

In 2026, we anticipate flat to low-single digit percent price growth, with major differences between regions. This assumes stable (or slightly increasing) mortgage rates, sustained low unemployment, gradually improving consumer confidence as the GDP rises, and a modest increase in purchasing power from disinflationary pressures.

However, the French market presents a more constrained outlook, with prices already adjusted downwards to reflect reduced affordability, lack of government subsidies, and persistently elevated mortgage rates. Developers' already low margins leave limited room for further price adjustments. Southern European markets, particularly Spain, may experience slightly stronger price growth due to ongoing demographic tailwinds, lower reliance on mortgage loans (Spanish households' indebtedness is lower from more equity contribution in real estate purchases), and relative affordability compared to other European countries. The impact of government policies, such as tax incentives and subsidies, will also vary across countries, influencing regional price trends.

Construction costs will likely remain elevated in 2026, although they may moderate slightly from peak levels. Building materials and construction companies in Europe may modestly increase prices and margins--to the detriment of homebuilders--thanks to strong demand for infrastructure investments, particularly in data centers, defense, and renewable energy projects. Labor costs will also remain high due to ongoing labor shortages from low unemployment, skills gaps, and low immigration in some countries. We forecast certain raw material prices, such as steel, copper, and aluminum, will remain elevated. Cement prices could increase as producers likely pass on rising carbon costs to protect margins.

The resilience of supply chains will be a crucial factor for builders, as disruptions could exacerbate cost pressures and delay project completion. We expect homebuilders to increasingly focus on securing long-term supply agreements and diversifying sources to mitigate these risks. The ability to pass these costs onto consumers will be key to maintaining profitability.

Volumes in 2026 will only pick up slightly as order books remain depressed in the U.K. and France. Homebuilders are adapting new production to evolving costs, the interest rate environment, and customer demand, focusing on smaller, more-affordable units to replenish offers in the market. Demand will remain burdened by political and geopolitical uncertainties, as well as lingering concerns about economic stability. The housing shortage, already acute, is expected to be exacerbated by demographic growth, with Spain experiencing particularly strong immigration trends that support demand for new housing, as well as changing living standards (smaller households, smaller units).

Regulatory constraints on new construction, including stricter safety requirements and energy performance standards--such as increasingly stringent energy performance certificate (EPC) ratings--will also limit supply. New environmental regulations to reduce carbon emissions from buildings could further increase construction costs and delay project timelines. An initiative in Germany aims to expedite permitting processes, but it is unlikely to create sufficient new supply as it does not address underlying construction cost and price issues. Municipal elections in France in 2026 will also likely slow down building permit approvals.

Credit metrics and financial policy

Credit metrics for European homebuilders could take time to recover, especially back to 2021 highs. EBITDA margins will remain pressured for half of the companies we rate. Interest coverage ratios and funds from operations (FFO) to debt will likely remain subdued, reflecting persistently high debt and interest rates and modest revenue recovery. Debt to EBITDA will likely improve from 2026 on after peaking in 2025, indicating a gradual strengthening of financial leverage.

Key risks or opportunities around the baseline

1. Political and geopolitical uncertainty.

If risks escalate, it could lead to supply chain disruptions or stoke investors' risk aversion. This would ultimately undermine homebuilders' margins and demand.

2. Government response to affordability issues.

Government stimulus could boost demand for new builds, especially affordable housing. However, policies prioritizing tenant protection could hurt homebuyer decisions and sales.

3. Interest-rate risk.

New increases in rates could reduce purchasing power and dampen demand, particularly for mortgage-reliant buyers.

Political and geopolitical developments pose a risk to demand. An escalation of trade tension and regional conflicts could exacerbate the current uncertainty and dampen consumer sentiment, postponing purchasing decisions. Consumer sentiment will be a key indicator to watch, as it reflects overall economic outlook and willingness to make large purchases. Moreover, shifting government budgets may limit real estate sector support.

Government stimulus measures represent an opportunity to bolster demand for newly built. These initiatives, such as bloc purchases of social housing, first-time buyer schemes, and subsidies, could provide a much-needed boost to the sector, particularly for affordable housing segments.

However, affordability issues could incentivize governments to protect tenants rather than buyers. Such measures would be detrimental to home purchasing decisions and ultimately homebuilders' sales.

We anticipate a growing focus on affordable housing solutions, driven by demographic trends and government policies aimed at addressing housing shortages. Homebuilders that can successfully adapt to this shift and develop affordable housing options are likely to be better positioned for long-term success.

Rising interest rates remain a critical risk. Higher mortgage rates would reduce residential purchasing power, potentially constraining demand and affordability, especially for prospective buyers reliant on mortgage financing. Homebuilders with strong balance sheets operating in market with lower vulnerability to mortgage rates (such as Spain) are better positioned to weather potential rate impact. We will monitor policy decisions from the European Central Bank (ECB) and forward guidance for indications of future interest rate movements.

Industry Outlook: Other EMEA

Gulf Cooperation Council

Credit and financing conditions remain supportive for real estate companies and developers based in the Gulf Cooperation Council (GCC). Most of the countries in the region are experiencing good growth prospects despite geopolitical fragmentation and inherent risk of conflict escalation, which could disrupt investment flows and market confidence. Growth rates have support from government spending and growing infrastructure projects, even with rising OPEC+ supply softening oil prices. United Arab Emirates (UAE) and Saudi Arabia remain at the forefront of this growth, with real GDP growing 4.1% for both countries in 2025; in 2026, UAE real GDP growth of 4.7% is expected and Saudi Arabia 4.0%.

The Dubai residential market will likely moderate in 2026-2027 following peak cycle conditions in 2025. Off-plan transactions continue to dominate the market, especially the midmarket apartment segment. There is also a strong momentum in luxury and ultra-luxury homes as the city attracts record number of high-net-worth individuals (HNIs) and family offices.

As a sign of strong conditions in the Dubai sector in 2025, we assigned two new ratings to Dubai-based real estate developers (Omniyat Holdings Ltd. and See Holding Ltd.) and three of our rated issuers have tapped the market to issue sukuks. During the year, we also upgraded Emaar Properties PJSC and Damac Real Estate Development Ltd. due to improving scale and business performance.

We believe Dubai's residential real estate market will remain on the rise. The supply of new residential units will likely increase 16% until 2027 based on current presale volumes, suggesting further price increases could be limited. That said, we expect prices to decline, albeit modestly, after 2027 due to Dubai's strong population growth, a likely delay in new deliveries, and limited supply in some segments such as villas. In addition, the rapid rise in the gaming industry could support real-estate prices in the UAE, as its novel entry into the economy has been creating a dynamic ecosystem.

The main risks to the Dubai market emanate from volatile global economic conditions. The conditions include tariff uncertainty, shifting trade flows, lower oil prices, and immigration controls, among others. Dubai remains sensitive to global economic trends due to its very open economy and high proportion of international investments in the residential market. More importantly, the geopolitical landscape remains strained in the Middle East with persisting tensions, which could weigh on credit fundamentals in the region through energy disruptions, price volatility, and capital flight if they escalate further.

The Abu Dhabi residential market experienced exceptional growth in 2025. Sales volume was robust in 2025, dominated by off-plan properties that accounted for about 75% of all sales. Price growth in 2025 averaged 6%-10% across various segments in 2025. New supply by 2027 will likely account for 10% of current stock, which is significant for the city. Unlike Dubai, pace of population growth is more moderate. We therefore expect limited price growth through 2027, even as demand likely remains strong.

Saudi Arabia's real estate market benefits from strong demand and political support. The residential market benefits from robust population growth, new household formations, and a national goal of achieving 70% homeownership by 2030 (65.4% in 2024). The delivery of affordable housing, particularly in the capital Riyadh, continues to lag demand for now. Housing will likely increase by 26% by 2030. The National Housing Co. aims to deliver 600,000 units by that year--half expected by the end of 2025. The government is also providing serviced land plots to encourage self-build projects. A recent measure by the government to unlock housing options is the increase in the White Land Tax (tax on idle land) from 2.5% to 10%.

The government implemented a five-year rental freeze on residential and commercial properties in Riyadh, effective from Sept. 25, 2025, to curb the growth momentum and inflation on real estate. If implemented successfully, we expect the recent rental freeze will moderately decrease residential property prices in Riyadh by reducing rental yields and speculative demand. This could prompt developers to focus on sales instead of rental properties, which could alleviate pricing pressure.

However, strong demand for residential properties in Riyadh may limit price declines. Additionally, we expect a new foreign ownership law, effective January 2026, will further boost demand and foreign direct investment.

Israel

The slowdown in the Israeli housing market persisted through 2025, pressuring the credit quality of homebuilders and developers. Over the past year, the homebuilder profitability and cash flow eroded, mainly following fewer new house sales, still-high financing costs, price declines, intensified marketing (including favorable payment conditions), and rising construction costs amid a labor shortage.

However, the decline in security risk, expectations for a strong rebound of the Israeli economy in 2026, a low unemployment rate, and further anticipated declines in interest rates will likely support a shift in residential market trends. Consequently, we anticipate an increase in transaction volume and price stabilization in 2026.

Decline in transaction volume reflects persistently low demand, although preliminary data suggests early signs of recovery. Elevated interest rates, persistently high housing prices that constrain affordability, conflicts in the Middle East, and recent financing restrictions from the Bank of Israel have impaired market performance. To stimulate sales, developers intensified marketing efforts, offering incentives such as favorable payment terms, exemptions from linkage to the construction cost index, and enhancements to apartment specifications. While these efforts are intended to mitigate the financial burden of rising financing and construction costs, they concurrently increase funding requirements for homebuilders and pressure profitability.

Despite these intensified marketing efforts, apartment sales during the first nine months of 2025 declined approximately 25% compared to the same period in the prior year. Nevertheless, preliminary data suggests demand is improving; transaction volume increased about 16% during the three-month period of July-September 2025.

The inventory of unsold new homes has reached a historically high level. Despite a workforce shortage in the construction industry, which has slowed the pace of construction, inventory continues to expand. Inventory exceeded a record-high 84,000 units due to the limited volume of new home sales. Given high inventory, the increase in construction costs, and elevated interest rates, we believe the pace of project openings will slow despite a reduction in interest rates.

Housing prices have declined moderately since the beginning of the year due to weak demand and elevated inventory. The Israel Housing Price Index has fallen for eight consecutive periods, reflecting an overall decline of approximately 2.4% since the start of 2025 (about 4.2% for new apartments) as of September 2025. Accounting for developer incentives and prevailing inflation, the real decline in prices has been even more pronounced.

Nevertheless, this downward trend may be moderating. The Housing Price Index increased approximately 0.9% for third-quarter 2025 compared to third-quarter 2024.

Industry Outlook: Asia-Pacific

Ratings trends and outlook

China's primary property market has been searching for a trough since the downcycle started in 2021. Market size has shrunk more than 50% from its peak, and further shrinkage is accentuating polarization as rated state-owned developers' funding advantages are pulling them ahead of rated private developers. This is because state-owned entities have the capital to buy land in healthier, upper-tier markets.

In Hong Kong, we expect rising residential rent and declining interest rates will keep demand resilient for the primary residential market. However, home prices might not budge given persistently elevated supply. Rated developers will defend their credit profiles through financial discipline.

In Indonesia, we expect modest deleveraging as improving marketing sales increase earnings. This comes on the back of stabilized credit profiles thanks to reduced refinancing risk.

Main assumptions about 2026 and beyond

1. China's primary property sales will decline.

Nationwide primary property sales will further drop in 2026 amid soft demand. Pricing pressure will persist in 2026 as inventory destocking remains a priority for developers.

2. Hong Kong's home prices will stay flat amid a supply overhang.

Demand for primary residential properties will remain steadfast in 2026. However, elevated inventory levels and abundant new supply could hinder a rebound in Hong Kong home prices.

3. Demand for affordable homes continue to support Indonesia's property sales.

The government extended its 100% value-added tax (VAT) exemption for residential units to year-end 2027 beyond the previous year-end 2025 expiry. We anticipate residential marketing sales to grow modestly by about 5% in 2026.

China's average primary home prices will continue to decline in 2026 amid soft demand and high inventories. Despite nationwide investment in property development, it was cumulatively down 14.7% year over year in October 2025, as inventory continues to rise moderately. According to government data, unsold inventory stood at about 756 million square meters as of October 31, 2025, up from 753 million square meters as of year-end 2024. In our view, inventory destocking will remain a priority for most developers and supply overhang will continue to weigh on prices.

Abundant primary residential supply in Hong Kong will curb the recovery of home prices. In our view, demand for primary residential properties will remain steady. We expect Hong Kong's annual primary residential sales transactions to hit about 20,000 units for both 2025 and 2026. This will be the highest since 2019 and compares with 16,912 units sold in 2024.

However, completed but unsold units remain at a historical high of 26,000 units as of September 2025. Furthermore, the Hong Kong government expects 20,098 completed units in 2026, further pressuring inventory. We expect developers will adopt conservative pricing to clear inventories, which will hinder a rebound in Hong Kong's home prices.

An extension of favorable policies will sustain sales momentum in Indonesia. We anticipate residential marketing sales will grow modestly by about 5% in 2026. While the exemption scheme has been extended a few times, this is the longest such incentives will remain in place. This coupled with eased mortgage rates will bolster demand for affordable housing and provide more certainty in marketing sales for developers through 2027. The relief targets affordable housing. Homes priced up to IDR5 billion qualify, with the first IDR2 billion fully exempt and the balance subject to standard VAT.

Credit metrics and financial policy

In China, state-owned developers navigate maintaining competitiveness and leverage. These rated developers have financial resources to buy land where demand is more resilient, likely within higher-tier cities. Their contracted sales have outperformed that of private peers. However, if such developers are too aggressive in using debt to buy land, their deleveraging may derail.

Private developers, on the other hand, have limited access to funding. In our view, they are laser-focused on their liquidity and balance sheet, ensuring their debt levels are manageable.

In Hong Kong, we believe developers will remain prudent in debt management amid a margin squeeze. This is because they will likely book projects with higher land costs and lower margins through 2026. The top six Hong Kong developers by asset size saw their latest reported property development margins fall to an average of 13%, halved from 27% a year ago. Despite a margin squeeze, developers with strong sales execution, controlled land spending, and proactive debt management can maintain credit strength. Such strengths have helped our rated developers, on average, reduce their debt by about one-fourth from three years ago.

Indonesian developers have stabilized credit profiles. We expect modest deleveraging among Indonesian developers as an increase in earnings stems from improving marketing sales.

Key risks or opportunities around the baseline

1. High profile defaults may further dent Chinese homebuyers' confidence.

In our view, homebuyers' confidence remains fragile in China. A high-profile default or restructuring by a major private developer, such as China Vanke Co. Ltd. (selective default), could worsen sentiment further.

2. Hong Kong's rising residential rents are supporting demand.

Residential rents are rising back to peak levels from mid-2019. This could entice investment demand as rental yields of some residential properties surpass mortgage rates.

3. Most Indonesia developers will have thin surplus cash despite top-line improvement.

Indonesian developers will likely reinvest extra cash flow into property construction and opportunistic land acquisitions. Surplus cash will then service the amortization of domestic bank loans.

Weak sales volume reflects that homebuyer confidence remains fragile in China. From January to October 2025, nationwide sales volume fell 6.8% year over year.

Although the government could roll out further measures to support demand, they may only come gradually and on a city-by-city basis. For example, apart from partially relaxing home-purchasing restrictions, the Shanghai municipal government in mid-September suspended the property tax for the first purchase of primary homes for Shanghai residents who met certain requirements.

Hong Kong's residential rents have been rising. As of September 2025, residential rents have gone up 3.9% from the end of 2024. Currently, mass-market homes under 40 square meters have a gross rental yield of 3.7%, surpassing the latest mortgage rate of about 3.25%. This may entice investment-driven homebuying demand.

In our view, an influx of students has been a major contributor of rising rent to Hong Kong. There are currently 79,300 nonlocal students pursuing locally accredited, full-time, post-secondary programs--a 46% increase from 54,500 two years ago. However, there are just 42,000 student hostel spaces at the eight publicly funded universities.

Indonesian bank loans have created a gentler but persistent liquidity need for developers. Most developers refinanced their U.S. dollar offshore notes with domestic bank loans in 2024 and early 2025. This translated into less lumpy debt maturity profiles and lower refinancing risk through 2026. However, part of Indonesian developers' cash flows will now have to service debt amortization persistently, thinning surplus cash.

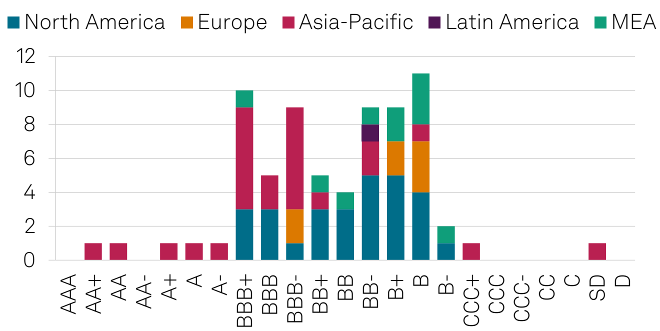
Unexpected weakness in consumer sentiment or the cash conversion cycle could squeeze developers' liquidity and test their ability to service the annual loan amortizations.

Related Research

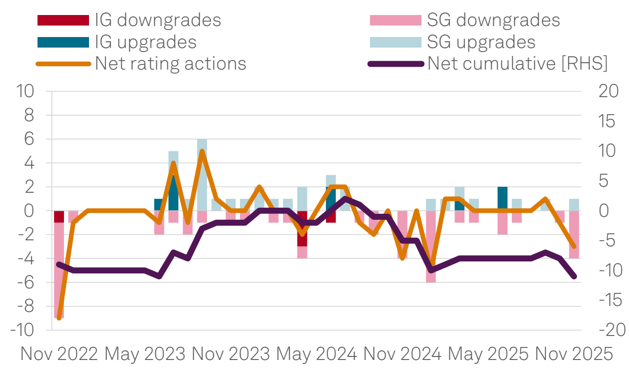
- Hong Kong Property: Volume Is The Good News, Sept. 17, 2025
- Real Estate Monitor: Credit Quality Is Holding Up Amid Economic Headwinds, Sept. 4, 2025

Ratings Trends

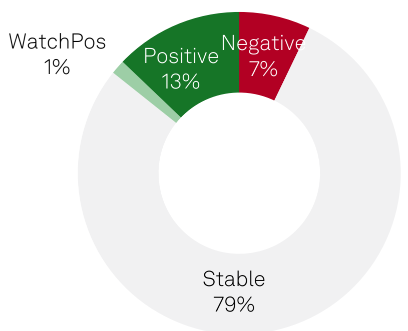
Ratings distribution



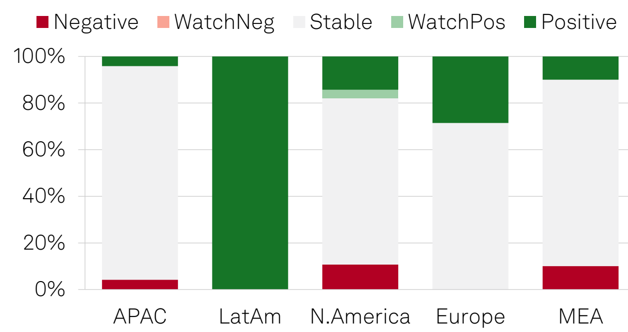
Ratings actions



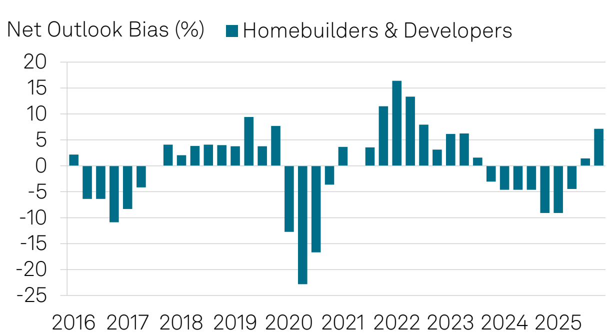
Ratings outlooks



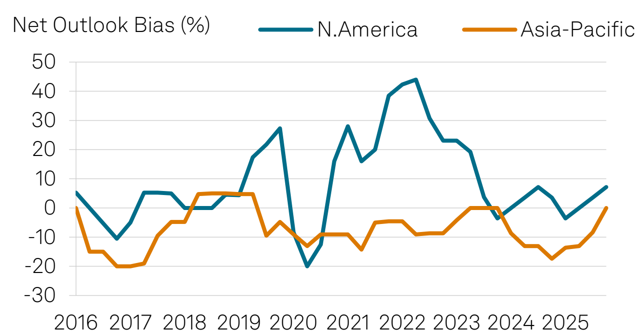
Ratings outlooks by region



Ratings outlook net bias



Ratings net outlook bias by region

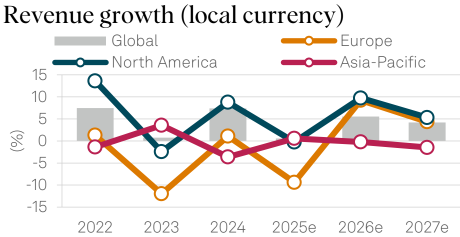


Source: S&P Global Ratings. Ratings data measured at quarter-end, except for ratings actions which are shown monthly.

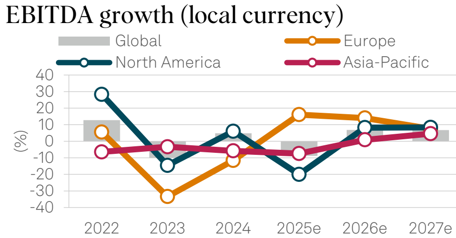
Industry Forecasts (Medians)

		All				Investment Grade				Speculative Grade			
		2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Revenue growth, local currency (Y/Y%)	**Global**	**7.4**	**0.6**	**5.5**	**4.2**	**3.8**	**0.8**	**2.3**	**3.6**	**9.0**	**-0.4**	**12.4**	**5.0**
	Asia-Pacific	-3.6	0.6	-0.2	-1.5	-1.6	0.8	0.6	1.9	-25.3	-6.9	-10.8	-10.4
	Europe	1.1	-9.4	9.2	4.4								
	North America	8.8	-0.2	9.8	5.3	8.5	1.1	3.3	5.6	9.0	-0.9	12.4	5.0
EBITDA growth, local currency (Y/Y%)	**Global**	**4.9**	**-8.8**	**6.9**	**6.8**	**-2.8**	**-4.7**	**3.4**	**6.8**	**5.3**	**-14.2**	**8.6**	**6.3**
	Asia-Pacific	-5.8	-7.4	0.9	4.6	-5.3	-4.7	1.2	4.7	-17.5	-14.5	3.0	-0.1
	Europe	-11.6	16.1	14.1	7.5								
	North America	6.0	-20.0	8.2	8.4	5.2	-17.5	3.7	6.8	6.8	-21.2	8.6	9.8
EBITDA margin (%)	**Global**	**17.3**	**15.3**	**16.1**	**16.4**	**17.7**	**17.2**	**16.4**	**18.4**	**17.1**	**15.0**	**14.7**	**15.4**
	Asia-Pacific	17.7	17.7	19.4	22.1	19.2	18.8	19.2	20.0	16.7	17.1	19.8	24.1
	Europe	12.7	14.4	13.8	15.1								
	North America	16.7	13.1	12.6	13.3	17.2	14.2	14.0	14.4	15.5	12.4	12.3	12.8
Capex growth, local currency (Y/Y%)	**Global**	**6.9**	**3.7**	**0.0**	**0.0**	**0.1**	**10.8**	**0.0**	**0.0**	**10.4**	**3.5**	**0.0**	**0.5**
	Asia-Pacific	-16.4	2.7	0.0	0.0	-9.1	10.8	0.3	0.0	-21.4	2.6	0.0	0.0
	Europe	98.8	-37.5	0.0	0.0								
	North America	25.7	3.5	5.2	1.7	11.2	8.0	3.3	0.0	34.9	1.7	5.5	3.1
Debt/EBITDA (x)	**Global**	**3.5**	**3.7**	**3.6**	**3.4**	**3.6**	**3.6**	**3.2**	**3.6**	**3.5**	**3.3**	**3.8**	**3.3**
	Asia-Pacific	4.6	6.9	6.8	7.4	5.2	7.3	5.2	4.7	4.2	6.8	7.0	7.8
	Europe	4.6	4.7	4.4	4.0								
	North America	2.4	2.8	2.5	2.1	0.3	0.8	0.7	0.4	2.7	3.3	3.0	2.7
FFO/Debt (%)	**Global**	**14.3**	**12.8**	**13.9**	**15.6**	**7.4**	**11.4**	**10.1**	**12.3**	**16.1**	**19.7**	**15.6**	**18.7**
	Asia-Pacific	6.1	5.2	5.5	5.3	4.3	4.3	4.3	5.0	14.3	6.1	5.9	5.3
	Europe	9.9	12.1	12.8	13.4								
	North America	28.7	24.5	28.1	31.7	109.3	81.6	92.4	113.8	21.1	21.5	22.3	26.0
FOCF/Debt (%)	**Global**	**2.6**	**1.3**	**3.9**	**5.6**	**3.6**	**4.3**	**2.5**	**4.7**	**1.6**	**2.8**	**6.5**	**8.1**
	Asia-Pacific	3.6	0.9	2.5	2.2	2.8	4.3	1.9	1.2	9.0	0.6	6.9	3.9
	Europe	13.7	-1.0	2.4	6.0								
	North America	0.5	3.7	13.3	13.8	50.6	34.5	73.5	94.3	0.4	2.7	8.2	11.3

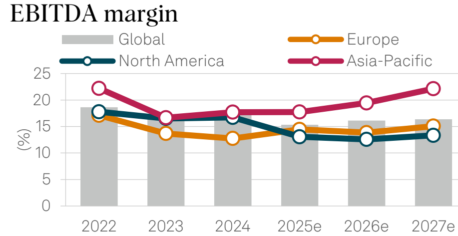
Revenue growth (local currency)



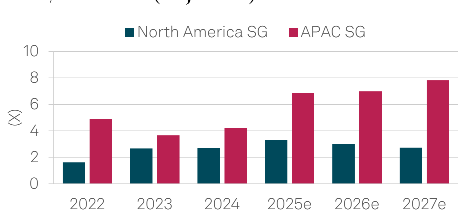
EBITDA growth (local currency)



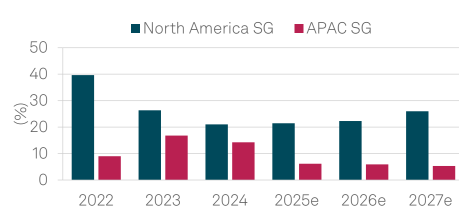
EBITDA margin



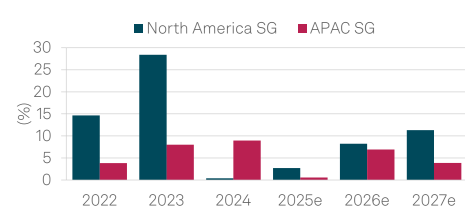
Debt/EBITDA (adjusted)



FFO/Debt



FOCF / Debt



Source: S&P Global Ratings. e--estimate. FFO—Funds from operations. FOCF—Free operating cash flow. Data as of Dec. 31, 2025.