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Financing Conditions and Challenges of Small and Medium Sized Real Estate Developers: A Case Study of Company Y in City X

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Abstract: Taking Company Y, a regional real estate development enterprise, as a case, based on the financial and financing data from 2023 to 2025, the financing status is analyzed from the four aspects of capital source, financing cost, debt maturity and project cash flow. The study found that interest-bearing liabilities decreased from 600 million yuan to 550 million yuan, but the proportion of bank loans decreased, the nominal interest rate weighted at the end of the period rose from 6.90% to 7.78%, and the proportion of debt due within one year increased from 40.00% to 60.00%; unrestricted cash to short-term debt at the end of 2025 The coverage multiple is only 0.21. According to the quarterly scenario measurement of 2026 conducted at the end of 2025, the cumulative theoretical capital gap at the end of the third quarter was about 132.12 million yuan. Enterprises face problems such as weakening capital accumulation, mismatch between debt maturity and project refund, and conditional restrictions on alternative funds. Bank financing, debt extension and actual equity investment should be carefully allocated on the basis of debt-by-project and project capital plans, and costs and quarterly cash balances should be checked simultaneously.

Keywords: Small and Medium Sized Real Estate Developers; Financing Structure; Debt Maturity; Cash-Flow Management; Case Study

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1. Introduction

1.1 Background

Real estate development requires substantial upfront investment. Construction expenditure and sales receipts occur at different times, while the use of some project funds is restricted. For a regional developer, the progress and sales performance of a few projects can substantially affect companywide cash flow. A reduction in borrowing therefore does not necessarily imply a reduction in financing risk. If low-cost funding is replaced by more expensive debt and repayments become concentrated, payment pressure may intensify even as outstanding debt falls. The historical "three red lines" indicators offer a reference for leverage and short-term debt coverage, but available cash and the timing of payments require separate examination.

1.2 Research Significance

Research on real estate financing often focuses on the industry as a whole or on listed developers. Regional private firms face more specific limits on financing channels, collateral and project turnover. Combining annual financing balances with

a quarterly cash plan helps explain how a company can reduce debt yet encounter greater liquidity pressure. It also makes proposals to diversify funding and extend debt maturities contingent on usable amounts, contractual terms and actual payment schedules.

1.3 Literature Review

Capital-structure research examines information asymmetry and financial risk in the choice between debt and equity. Myers and Majluf provide a basis for analyzing financing decisions when firms and investors hold different information [1]. Chen and Li consider factors affecting the financing structure of small and medium sized enterprises[2]. In real estate, Ma and Qin examine debt financing by listed developers under the historical "three red lines" framework[3], while Cao and Ma study adjustments to debt structure [4]. He addresses the financing problems of small and medium sized private developers[5], and case research discusses changes to funding channels and debt terms[6]. These works inform the present analysis, but findings for listed firms cannot be applied mechanically to one regional enterprise. Specific proposals must also be tested against usable cash, debt contracts and necessary project spending.

1.4 Scope and Methods

This article adopts case analysis, financial ratio analysis and installment capital balance measurement. First, summarize the changes in the scale, source, interest rate and term of Company Y from 2023 to 2025, and then take December 31, 2025 as the benchmark, combine the project status, restricted funds and the main problems of the 2026 quarterly capital scenario formulated at that time, and finally put forward according to channels, debt term and internal management. Conditional strategy. Company Y and its financial, project and financing data are all information obtained from the enterprise in the field for research purposes; the analysis results are only used to discuss the logic of financing arrangements. The amount in the article is 100 million yuan, except for special instructions; the nominal interest rate weighted on the balance at the end of the period is used to compare the financing combination, which is not equal to the actual comprehensive financing cost of the year.

2. Financing Conditions and Problems at Company Y

2.1 Company Profile

Company Y is engaged in residential and supporting commercial development. The parent company coordinates the financing and capital planning, and the three holding project companies are responsible for development, construction and sales. The business area is concentrated in the main urban area of X City and a county under its jurisdiction. At the end of 2025, according to the consolidated caliber, the total assets were 1.850 billion yuan, the liabilities were 1.430 billion yuan, the owner's equity was 420 million yuan, and the operating income of the year was 520 million yuan. Project A is in the final sales and settlement stage after delivery; Project B is under construction and sale, with a follow-up investment requirement of 250 million yuan; Project C is in the early stage of construction, with a follow-up investment requirement of 300 million yuan, and the main refund time is later. The capital investment and recovery rhythm of the three projects are different, and the financing maturity arrangement is required to be connected with the project capital plan.

2.2 Financing Scale, Sources and Maturity Structure

In terms of scale, the interest-bearing liabilities of Company Y decreased from 60 billion yuan to 550 million yuan in 2023-2025, the assets decreased from 2,000 billion yuan to 1.850 billion yuan, and the owner's equity decreased from 450 million yuan to 420 million yuan. The reduction in liabilities has not significantly changed the original asset-liability ratio, which will still be 77.30% in 2025. During the same period, monetary funds decreased from 240 million yuan to 130 million yuan. Cash decreased faster than interest-bearing liabilities, and net debt after deducting monetary funds increased from 360 million yuan to 420 million yuan.

Table 1 Key financing and liquidity indicators

Indicator	2023	2024	2025
Interest-bearing debt (CNY 100 million)	6.00	5.80	5.50
Bank loans as a share of interest-bearing debt	60.00%	55.17%	50.91%

Indicator	2023	2024	2025
Year-end balance-weighted nominal rate	6.90%	7.33%	7.78%
Debt due within one year (CNY 100 million)	2.40	2.90	3.30
Share of debt due within one year	40.00%	50.00%	60.00%
Cash balance (CNY 100 million)	2.40	1.80	1.30
Unrestricted cash (CNY 100 million)	1.50	1.00	0.70
Unrestricted cash to short-term debt (times)	0.63	0.34	0.21

In terms of source and price, Y Company's interest financing includes loans from banks, non-bank institutions and shareholders. At the end of 2025, the three types of balances were 280 million yuan, 150 million yuan and 120 million yuan respectively; bank loans still account for more than half, but the proportion decreased by 9.09 percentage points compared with 2023. The total proportion of loans from non-banking institutions and shareholders rose to 49.09%. During the same period, the nominal interest rates of all kinds of loans rose, and the nominal interest rates of the balance weighted at the end of the period increased by 0.88 percentage points. The nominal interest rate for loans from non-bank institutions in 2025 is 10.00%, and the interest rate for shareholders' loans is 8.00%; shareholders' loans with interest calculation and principal repayment obligations should be listed as debts and cannot be directly regarded as rights and interests.

In terms of term, interest-bearing liabilities due within a year increased from 240 million yuan to 330 million yuan, accounting for 60.00% of total interest-bearing liabilities. Among them, the total amount of loans due within one year of non-banking institutions and shareholders by the end of 2025 is 210 million yuan. The principal originally scheduled for the first and second quarters of 2026 was 60 million yuan and 110 million yuan respectively, with the most concentration in the second quarter. The shortening of the balance period may also be due to the fact that the original long-term loan naturally enters the maturity range within one year. The existing information is not enough to prove that the enterprise continues to add short-term loans.

In terms of cash constraints, 60 million yuan of the 130 million yuan of monetary funds at the end of 2025 is restricted, and the non-restricted part is only 70 million yuan, corresponding to 0.39 times the basic cash short-term debt ratio and 0.21 times the non-restricted cash short-term debt ratio respectively. According to the historical "three red lines" reference caliber, the asset-liability ratio after excluding the advance collection is 71.03%, and the net debt ratio is 100.00%; these indicators are used to compare leverage and cash coverage. The cash ratio at the end of the period cannot reflect the order of subsequent construction expenditure and principal maturity. In order to match the inspection period, the capital scenario of the four quarters of 2026 is compiled with the information at the end of 2025; Table 2 shows the planned value and the estimated balance on the same reference date, not the actual income and expenditure in 2026.

Table 2 Quarterly 2026 cash-flow scenario from the December 2025 reference date

Item (CNY 100 million)	Q1	Q2	Q3	Q4
Eligible project receipts	1.0000	1.2000	1.6000	2.2000
Construction and settlement payments	0.8000	0.9000	0.9000	0.7000
Other operating costs and taxes	0.1500	0.1500	0.1500	0.1500
Debt principal due	0.6000	1.1000	0.8000	0.8000
Interest on existing debt	0.1070	0.0943	0.0709	0.0554
Cumulative theoretical quarter-end balance	0.0430	-1.0013	-1.3221	-0.8275

2.3 Main Problems and Underlying Causes

First, the capital buffer and cost tolerance are weakened. From 2023 to 2025, the operating income decreased from 80 million yuan to 520 million yuan, and the net profit decreased from 40 million yuan to a loss of 10 million yuan; in 2024, the profit distribution of 30 million yuan exceeded the net profit of 10 million yuan in that year, and also reduced the equity retention. The financing price and channel composition changed at the same time, the expense interest increased from 14 million yuan

to 18 million yuan, and the proportion of financial expenses to operating gross profit increased from 8.75% to 23.08%. Cost pressure comes from both capital prices and gross profit reduction. The decline in the loan balance has not been converted into significantly stronger capital support.

Second, the maturity of the debt is mismatched with the project refund. The final refund of Project A is limited, Project B requires continuous construction investment, and the main refund time of Project C is later. By the end of 2025, inventory will account for 65.41% of assets, and inventory must be built, sold and collected before it can be converted into usable funds. The pre-scenario measurement in Table 2 shows that the cumulative theoretical gap at the end of the second quarter was about 1001.3 billion yuan, which expanded to 132.1 billion yuan at the end of the third quarter, and there was still a difference of 082.75 million yuan at the end of the year. These values are not the actual gaps in each quarter; the measurement is calculated at the consolidation level on the premise that eligible non-restricted funds can be allocated. If the account restrictions are stricter, the payment pressure of a single project subject may be greater.

Third, the financing sources are concentrated and the replacement conditions are limited. Bank loans mainly come from two banks, and the purpose of borrowing, mortgage and withdrawal conditions restrict its ability to undertake; 90 million yuan of shareholder loans will expire within one year, which cannot be used as long-term stable rights and interests unless the extension or actual capital contribution arrangements are signed and implemented. Of the balance of loans of 150 million yuan from non-bank institutions, 120 million yuan is due within a year, and the nominal interest rate is relatively high. The pre-sale refund is also accompanied by delivery obligations, and the operational payables also have an agreed settlement period, which cannot be regarded as an unlimited and expandable financing channel. The existing data can show the conditional limitations of alternative funds, which is not enough to directly determine the weak bargaining power of enterprises.

3. Financing Strategies for Company Y

3.1 Broaden Usable Funding Sources

Enterprises should first distinguish between “funds that can be applied for” and “funds that can already be withdrawn”. For the construction and sales stage of Project B, provide existing or other banks with consistent project progress, sales refund, mortgage guarantee and debt repayment source information, and confirm the amount, purpose, loan date, cost and guarantee conditions one by one; only when the approval and withdrawal conditions are implemented can they be included in the quarterly capital plan. For loans from non-bank institutions to be replaced, the early repayment fee, the new loan interest rate and the delivery time of the two transactions should also be compared. New channels should improve the availability period and payment arrangements, not just add the channel name.

Shareholders’ funds can discuss the loan extension and actual equity investment separately. The former still retains the nature of the debt and the subsequent principal and interest obligations, and there should be a clear new maturity date and interest settlement agreement; the latter must be based on the establishment of actual payment and equity recognition conditions in order to increase cash and owner’s equity. If you consider introducing other partners or project-level funds, you should also check the control, use of funds, allocation obligations and project risks item by item, and do not assume that there is an available amount in advance.

3.2 Align Maturities and Manage Cash Flow

Financing arrangements should give priority to covering the earliest debts due after the benchmark date: according to the maturity table at the end of 2025, the planned maturity principal in the first and second quarters of 2026 is 60 million yuan and 110 million yuan respectively. Enterprises should establish a debt-by-debt and quarterly capital arrangement table, and record the repayment, equal replacement and extension of the original debt separately: cash repayment reduces debt and cash at the same time; replacement changes channels, costs or terms, which does not necessarily reduce the total amount of debt; extension reduces recent payments, but delays the principal and may increase interest. All processing must be checked together with the necessary construction and delivery expenses of the project.

In order to compare the trade-off between cost and liquidity, two preparation plans can be set up: Plan A repays loans from non-bank institutions with higher interest rates with 50 million yuan in cash, and adjusts the recent principal of 200 million

yuan to one year later. The annual nominal interest is reduced from 042.8 million yuan to 037.8 million yuan, but non-restricted cash is only There is 20 billion yuan left; Plan B is subject to the actual investment of 30 million yuan of equity and the postponement of the principal of 170 million yuan. The non-restricted cash can reach 100 million yuan, but the annual nominal interest calculated at the original interest rate has not been reduced. The basic cash short-term debt ratio of both plans is 1.00 times at the time of preparation for the exam, and the non-restricted cash short-term debt ratio is only 0.25 times and 0.63 times respectively. Since the extension agreement, capital contribution arrival, transaction fee and full quarterly net return have not been determined, these figures can only be used for program screening and cannot prove that any plan is enforceable.

The financial department shall update the actual arrival of the project, project payment, taxes, principal and interest maturity and minimum cash retention on a monthly basis, and repeat the calculation in the event of delayed refund, increased construction costs, and no approval for the extension. Pay special attention to the cumulative capital demand in the second and third quarters; before the quarterly cash balance is covered, it is not appropriate to consume the necessary cash in advance only to reduce nominal interest.

3.3 Improve Financing Capacity and Risk Controls

The company should unify the data caliber of the financial financing department, engineering, marketing and project companies, and link the balance, interest rate, guarantee, restricted account, collection basis and necessary expenses of each contract to the same ledger. The engineering department approves the expenditure required to complete the delivery, the marketing department will separate the contract sales from the actual arrival, and the finance department will review the interest, principal maturity and account available balance. After each replacement, extension or capital contribution is completed, the total debt, channel composition, principal due within one year and unrestricted cash will be updated synchronously.

The core of risk control is to distinguish between transactions that have occurred, signed arrangements to take effect, and preparation assumptions. When submitting financing information to the outside world, it is clear that the purpose of restricted funds, the debt attributes of shareholders' loans, and the delivery obligations of contractual liabilities, and do not include the intended credit or unpaid capital contributions as cash. Quotations for different interest rates should be compared under similar terms, guarantees and expenses, and capitalized interest and expense interest should be analyzed separately. In this way, the cost of financing, capital support and actual payment capacity can be evaluated at the same time.

4. Conclusion

The case data of Company Y shows that while the balance of interest-bearing liabilities declines, the proportion of bank loans declines, the nominal interest rate of financing portfolios rises, and the concentrated maturity of short-term principals can coexist. At the end of 2025, the non-restricted cash short-term debt ratio was only 0.21 times; based on the information at that time, the quarterly capital income and expenditure in 2026 were estimated. Under the established scenario, the maximum cumulative theoretical gap at the end of the third quarter was 132.1 million yuan. The main problems in this case are the weakening of capital accumulation, the incoordination of debt maturity and project refund, and the constraints of alternative financing on the amount and use conditions. Financing optimization should first verify the contracts and available cash, and then coordinate channel replacement, term adjustment and actual equity investment, and jointly evaluate the effect with the quarterly fund balance and complete cost. Whether the preparation plan can be implemented still depends on whether the credit granting, extension, the arrival of equity funds and the implementation of the project income and expenditure conditions.

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Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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