

Applicability of the House Voucher System in Beijing under Urban Village Renovation

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Abstract. This paper takes the resettlement work of urban redevelopment and renewal projects such as urban villages as an opportunity to explore the trial implementation of a housing voucher system. Against the backdrop of urban village redevelopment, this paper first analyzes the current situation of urban village redevelopment in Beijing, focusing primarily on the shortcomings of the existing resettlement policies. Next, it examines how housing voucher rules affect the real estate market in representative cities, highlighting the pros and cons of the current system. The system's application in Beijing, taking into consideration the city's particular characteristics, is discussed, along with policy recommendations. This study improves mega-city housing voucher research and gives a novel urban village rehabilitation and relocation perspective. Beijing can use the research to improve urban village rehabilitation, relocation, residential property destocking, and mega-city concerns.

Keywords: Housing voucher system, Monetizing housing inventory, Destocking, urban village renovation, Resettlement housing construction

1. Introduction

Beijing's urban village redevelopment is not only crucial for shaping the city's image but also for promoting sustainable urban development. Traditional monetary compensation methods can no longer fully meet the current needs of urban village redevelopment due to the dual challenges of downward economic pressure and fiscal constraints. The housing voucher resettlement policy, as an innovative monetary compensation method, has been gradually promoted and applied in many parts of the country since its initial implementation in Anqing City, Anhui Province in 2015, providing a new approach to solving resettlement issues in urban village redevelopment. As a new resettlement policy emerging in mainland China, the housing voucher policy is currently being piloted in some areas.

Urban villages are characterized by numerous safety hazards and poor living conditions, making residents' desire for redevelopment urgent [1]. Currently, urban village redevelopment can directly play multiple roles, including stabilizing residents' expectations, tapping into social consumption potential, and filling investment gaps. Data shows that in the 35 major cities listed by the Ministry of

Housing and Urban-Rural Development alone, including Beijing and Shanghai, there are 1.7 million urban villages requiring redevelopment.

In 2023, the General Office of the State Council issued the "Guiding Opinions of the General Office of the State Council on Actively and Steadily Promoting the Transformation of Urban Villages in Mega- and Super-Large Cities", which clearly stipulated the overall requirements and important tasks for the transformation of urban villages and provided a guiding framework for the steady implementation of this work. It also listed the transformation of urban villages, along with the construction of affordable housing and dual-use public infrastructure, as one of the "Three Major Projects in the Chinese Civil Construction Field." Currently, the transformation of urban villages involves complex land ownership. Since 2020, the Chinese government has implemented a series of policies and solutions to build a unified urban and rural land market, including allowing rural collective commercial construction land to enter the land market system and standardizing land acquisition standards for large-scale expropriation projects [2].

In response to the national overall work policy, Beijing has been actively and steadily promoting the renovation of urban villages while simultaneously advancing monetary compensation for resettlement. The "Implementation Opinions of Beijing Municipality on Actively and Steadily Promoting the Renovation of Urban Villages" (Beijing Municipal Government Office Document No. 9, 2024) further specifies the key tasks, support policies, and safeguard measures based on the relevant documents issued by the General Office of the State Council, taking into account Beijing's own characteristics. These documents serve as policy support for the work. In 2024, Beijing launched pilot projects for the renovation of 20 urban villages in five districts, including Haidian and Fengtai.

Currently, the main methods for resettlement in residential areas are monetary compensation and property exchange. Monetary compensation is relatively clear and transparent, based on the market appraisal value of the expropriated property, with a certain coefficient applied upwards.

The property exchange model involves expropriating or vacating property and exchanging it for newly built resettlement housing. The exchange requires calculating and settling the difference between the value of the expropriated property and the value of the replacement property. The resulting resettlement housing is typically policy-based housing under economic management, and can only be sold on the market after five years upon payment of land transfer fees.

Regarding funding, project funds need to be applied for independently, and the government's special bonds have a four-year usage period; costs incurred after this period are not included in land development costs. However, if project progress is delayed, extending the resettlement period for those being resettled, the government will need to pay additional relocation subsidies, management costs and other additional expenses incurred due to the project delays [3].

Regarding policy, the "Notice on Regulating the Management of Resettlement Housing in Residential Housing Expropriation" indicates that newly built resettlement housing projects in this city are included in the city's policy-based housing construction and allocation plan. However, according to the "Measures for the Management of Affordable Housing," families who have already received affordable housing benefits are not eligible for further benefits. This situation may prevent some relocated residents who have benefited from affordable housing policies from choosing resettlement housing, potentially increasing conflicts between the government and the public during the resettlement process [4].

The innovation of this paper lies in three aspects: first, it focuses on Beijing, a mega-city with unique policy and market characteristics, which fills the research gap of the housing voucher system's applicability in mega-cities; second, it combines the 2024 urban village renovation pilot

data of Beijing to conduct empirical analysis, making the research more targeted and practical; third, it puts forward targeted policy recommendations based on Beijing's actual situation, which has strong operability compared with the general research.

2. Analysis of the housing voucher resettlement system

2.1. Overview of the development of the housing voucher system

2.1.1. Background

The housing voucher resettlement system first began in 2015 when Anqing City, Anhui Province, promulgated the "Anqing City Urban Area Housing Expropriation Housing Voucher Resettlement Measures" as a guiding method for housing voucher resettlement at that time [5].

Based on housing voucher policy documents from larger and more representative cities, such as the "Guangzhou Housing Voucher Resettlement Policy," the "Nanjing Interim Measures for Housing Voucher Resettlement on State-Owned Land Residential Housing Expropriation," and the "Beijing Tongzhou District Housing Voucher Resettlement Implementation Plan (Trial) ," housing voucher resettlement is a supplementary form of existing compensation. It involves the expropriator quantifying the resettlement compensation rights of the expropriated party in monetary terms and issuing the voucher to the expropriated party.

2.1.2. Operating mode

This method uses housing vouchers as proof of funds for resettlement compensation. Resettled individuals can use these vouchers to purchase commercial housing from participating resettlement development companies as compensation for their resettlement housing. Essentially, it is a special form of monetary resettlement. The specific operation method and sequence are as follows:

The resettled person and the expropriator sign relevant agreements and confirm the housing voucher text; the resettled person shall relocate within the time limit stipulated in the agreement and obtain relevant certificates and housing vouchers; the resettled person shall use the housing voucher to pay the full amount of the housing price when purchasing a commercial housing unit that meets their needs from the housing supermarket selected by the government. Real estate development enterprises and expropriators handle relevant housing voucher settlement business.

2.2. Analysis of housing voucher resettlement policy

2.2.1. Analysis of implementation in representative cities

Following the pandemic, the resulting economic downturn led to a sluggish real estate market, longer inventory clearance cycles , increased pressure on local governments to reduce inventory, and other factors such as policy requirements and tight local finances. These factors have prompted local governments to re-emphasize the housing voucher resettlement system.

Table 1. Real estate data of some representative cities in 2024

City	time	Number of transactions	Transaction area	Transaction price	Number of units available for sale
	2022.01-2022.12	72621	7,818,300 square meters	37,419 yuan/m ²	117663

Table 1. (continued)

	Year-on-year growth	-34.75%	-34.64%	8.75%	-15.08%
Guangzhou	January 2023 - December 2023	75051	8,234 million square meters	38,178 yuan/ m ²	106052
	Year-on-year growth	3.35%	5.32%	2.03%	-9.87%
	January 2024 - December 2024	71840	7,935,100 square meters	36,515 yuan/ m ²	141614
	Year-on-year growth	-4.28%	-3.63%	-4.36%	33.53%
	January 2022 - December 2022	66611	8,324,400 square meters	32,516 yuan/ m ²	71197
	Year-on-year growth	-38.08%	-33.82%	10.33%	-0.67%
Nanjing	January 2023 - December 2023	51320	6,246,100 square meters	31,473 yuan/ m ²	66341
	Year-on-year growth	-22.96%	-24.97%	-3.21%	-6.82%
	January 2024 - December 2024	35991	4,468,100 square meters	1729 yuan/m ²	69959
	Year-on-year growth	-29.87%	-28.47%	0.81%	5.54%
	January 2022 - December 2022	17615	1,878,300 square meters	41,115 yuan/ m ²	27526
	Year-on-year growth	-49.41%	-48.05%	11.74%	-3.89%
Xiamen	January 2023 - December 2023	18129	2,004,500 square meters	43,865 yuan/ m ²	26743
	Year-on-year growth	2.92%	6.72%	6.69%	-2.84%
	January 2024 - December 2024	18071	1,934,500 square meters	34202 yuan/ m ²	19750
	Year-on-year growth	-0.32%	-3.49%	-22.03%	-26.15%

The characteristic of this housing voucher policy resettlement is that the compensation is generally composed of a voucher valued at the compensation rights of the expropriated house, plus policy-based rewards. The housing voucher portion requires the purchase of local housing within a designated area or by an enterprise participating in the housing voucher resettlement policy.

The table above shows that real estate sales data in all three cities rebounded to some extent after the re-implementation of the housing voucher policy, but the effect was not significant, indicating that the impact of the housing voucher resettlement compensation was limited in time. Taking Guangzhou as an example: the number of available commercial housing units on the market did decrease in 2022 and 2023, but increased significantly in 2024. This suggests that the housing voucher policy implemented in Guangzhou lacked staying power and may have been poorly implemented, leading to a lack of public acceptance.

Depending on governmental incentives, relocated people accept this phase of rehousing at a low rate. Many residents are unwilling to use housing vouchers because their worth is much lower than commercial housing prices in the same or similar places. Take Guangzhou: The first urban reconstruction project housing voucher ticket in Shiwu Village, Liwan District, cost over 2.5 million yuan, while the average new house purchase price in 2023 was 6.78 million. This means housing voucher holders have trouble trading residences for nearby properties.

For real estate companies, housing vouchers are essentially IOUs issued by local governments backed by local credit. Companies hold these vouchers and apply to the local government for settlement and payment within a specified period. However, due to the current economic downturn and resulting government fiscal strain, some companies that were willing to participate questioned the government's ability to pay and chose to wait and see [6].

2.2.2. Advantages and problems

From the government's perspective [7], Implementing housing voucher resettlement can save a significant amount of resettlement working capital, conserve construction land quotas, release land resources, and reduce renovation costs. Furthermore, compared to traditional monetary resettlement, housing voucher resettlement can ensure that government compensation to resettled individuals flows directly into the market, stimulating the real estate market and alleviating fiscal pressure [8].

From the perspective of the resettled individuals: Housing voucher resettlement grants them the right to choose resettlement options in multiple ways, broadening resettlement channels. Furthermore, it eliminates the need for a multi-year resettlement period and avoids situations where resettlement housing cannot meet their needs. Through housing voucher resettlement, resettled individuals can use commercial housing in different locations and at different price points as resettlement, effectively meeting their needs and contributing to maintaining or improving their standard of living.

From a business perspective: Businesses can reduce inventory and recover funds by including their unsold properties in a housing marketplace, allowing resettled residents to choose freely. The resettlement funds from the resettled residents flow directly to the business, enabling it to use these funds for debt repayment, land acquisition, etc., thus promoting the healthy development of the enterprise [9].

The impact on the market is limited and short-lived. The analysis of the real estate markets in the three regions above shows that, compared to previous periods, the positive growth in transaction volume, transaction area, transaction amount, and transaction price under the current housing subsidy policy is not significant. Regarding the number of available homes, although the relevant indicators in the aforementioned regions all showed varying degrees of year-on-year growth, proving that the housing subsidy policy has had some effect, it is still noteworthy that the number of available homes and transaction amount have decreased in some regions. This indicates that while implementing the housing subsidy resettlement policy, these regions adopted a sales strategy of trading price for volume.

3. An exploration of the application of the housing voucher system in Beijing

3.1. Eligibility conditions for the housing voucher policy

As a megacity, Beijing has its own unique development trajectory due to specific local policies and economic reasons [10]. As shown in Table 5, in 2024, the inventory clearance cycle of Beijing's real estate market, except for January, was longer than the reasonable clearance period of 6-18 months stipulated in the "Notice on Strengthening the Management and Regulation of Housing and Land Supply in the Near Future" issued by the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources in 2017. Therefore, it is evident that Beijing faces certain pressure to reduce its housing inventory.

Table 2. Macroeconomic data on Beijing's real estate sector in 2024 [11]

time	Number of transactions	Transaction area (10,000 RMB/m ²)	Transaction price (RMB/m ²)	Number of units available for sale	Clearing cycle (months)
2024.01	3500	38.91	56185	71070	17.42
2024.02	1137	14.7	59099	70836	18.02
2024.03	2028	34.83	59333	75045	20.2
2024.04	2418	30.66	57555	73685	21.33
2024.05	2726	34.44	56495	73818	22.38
2024.06	3237	41.9	69913	71872	22.74
2024.07	3105	39.22	58282	70859	23.01
2024.08	3220	37.79	50615	70374	23.49
2024.09	2293	28.61	55267	74085	25.95
2024.10	4124	51.84	58290	72214	25.49
2024.11	4477	56.4	57960	70319	24.12
2024.12	5306	68.49	60273	64911	21.93
Summary	37856	477.79	58185		

According to statistics, the real estate market in Beijing in 2024 saw the following: New housing starts in Beijing increased by 2.4% year-on-year, reaching 12.869 million square meters. Residential units accounted for approximately 59% of these starts, representing a 6.6% increase. Completed housing area decreased by 21.8% year-on-year, with residential completions totaling 9.128 million square meters. For the entire year of 2024, sales of newly built commercial housing decreased by 1.8% year-on-year.

This indicates a significant year-on-year decrease in the completed floor area of Beijing's real estate market. Although the newly started construction area has rebounded in some aspects compared to last year, the current situation remains weak considering that the year-on-year decline in the newly started construction area of Beijing's real estate market by more than 20 percentage points. On the sales side, the sales area of newly built commercial housing has decreased, which will undoubtedly increase the pressure on Beijing to reduce its commercial housing inventory.

The performance of Beijing's real estate market this year shows that it remains slow, unable to escape the recession, and under pressure to cut inventory.

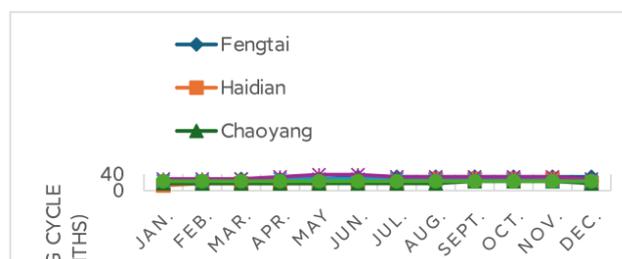


Figure 1. Line graph showing the clearance status of the five districts in 2024 [11]

As shown in Figure 1, the clearance period for most urban village redevelopment projects in the city's districts is currently longer than 18 months, indicating significant pressure to reduce inventory. Among the five districts, Fengtai and Tongzhou face the greatest pressure, with average clearance periods of 26.82 months and 30.56 months, respectively. Daxing is in the middle range, while Haidian and Chaoyang face the least pressure, with average clearance periods of 18.91 months and 16.98 months, respectively. Therefore, in Fengtai and Tongzhou, where the pressure to reduce inventory is high, monetary compensation for resettlement may be relatively more effective. However, in Haidian and Chaoyang, the higher housing and land prices may create a large gap between monetary compensation and the price of commercial housing, which could prevent a significant positive impact on reducing inventory in these two districts.

3.2. Advantages of Beijing's housing voucher resettlement policy

One advantage of the housing voucher policy is that it serves as a form of monetary resettlement. It can meet the housing purchase needs of resettled individuals through policy-stipulated methods. At the same time, when the compensation and resettlement funds issued in the form of housing vouchers are directed to the real estate market, they can precisely provide targeted financial support to real estate development companies and help them achieve cash flow.

For those being resettled, the housing voucher system provides more diversified resettlement options, offering a wider range of housing options and resettlement sites, and addressing the resettlement issues arising from the current urban village redevelopment in a more market-oriented manner. Under current policies, the housing voucher resettlement program primarily relies on commercial housing as its main source, which does not conflict with the management methods for non-commercial housing, such as affordable housing. This approach reduces policy restrictions on resettlement and increases the flexibility of resettlement efforts. In terms of land supply indicators, in line with the overall planning tone of Beijing's current efforts to reduce land use and improve resource allocation efficiency, it has also promoted the sales of squeezed-out inventory of commercial housing.

3.3. Policy recommendations

To promote the effective application of the housing voucher system in Beijing's urban village renovation, targeted policy recommendations are proposed as follows. First, strengthen cooperation between the government and real estate development enterprises to build a housing supermarket that can meet the needs of different levels. Second, innovate resettlement methods and provide commercial housing as resettlement housing for those who have enjoyed policy-based housing. Third, improve government administrative efficiency, strengthen financial support and transparency, and enhance business confidence [12]. Fourth, strengthen policy support and guide resettled retirees to choose housing voucher resettlement.

Finally, relax usage restrictions and allow the transfer of housing vouchers.

4. Conclusion

In conclusion, implementing the housing voucher policy in Beijing offers advantages such as promoting the destocking of existing commercial housing and saving construction land quotas. Therefore, the policy of issuing housing vouchers for resettlement can be implemented in Beijing. However, this paper also has limitations in the policy demonstration stage, such as the lack of

calculation of resettlement costs after the implementation of housing vouchers and the lack of subsequent real estate market forecasts. In the future, further in-depth research can be conducted on the financial issues such as the composition and optimization of resettlement costs in Beijing, which can be used as a reference for research in related fields. This study can provide Chinese experience for other megacities around the world in terms of land acquisition and resident resettlement, and has international reference value in stimulating real estate market demand through land acquisition.

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