

Innovation in the Supply of Affordable Housing under Property Rights Constraints: A Study on the “Unchanged Nature” Renovation Mechanism of Non-residential Existing Housing in Guangzhou

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Abstract: Housing is an important livelihood project. Guangzhou’s policy of converting non-residential housing to public rental housing has effectively increased the supply of public rental housing by revitalizing idle non-residential housing stock, alleviated the housing supply and demand contradiction, and provided housing security for new urban residents and young people. The study found that the “unchanged nature” renovation mechanism, the resolution of property rights conflicts, the innovation of multi-dimensional policy tools, and the strengthening of cross-departmental collaboration and supervision have provided replicable samples for housing security in megacities and super-large cities, as well as theoretical support and practical guidance for urban renewal and the optimization of housing security policies.

Keywords: Non-residential conversion for housing security; Property rights constraints; Policy flexibility mechanism; Guangzhou City

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1. Introduction

Under the double pressure of the ongoing urbanization process and the growing demand for housing in China, the housing security system is facing severe challenges. In megacities, the scarcity of land resources and the high cost of land acquisition have made the traditional incremental construction model unsustainable, and the activation of existing resources has become the key way to solve the housing security problem. However, the complex pattern of property rights constraints and diversified interests constitutes a significant institutional bottleneck. How to achieve efficient reuse of existing resources under property rights constraints has become the key to solving the

supply problem of converting existing non-residential houses into guaranteed rental housing. From a theoretical perspective, the current academic research on “non-residential to public rental housing” mainly focuses on the analysis of existing cases, renovation predicaments, and optimization paths^[1–8]. Some scholars have taken Shanghai, Xiamen, and Shenzhen as examples to analyze their practices in formulating renovation policies and implementing projects^[9–10]. It should be noted that the construction of public rental housing faces challenges such as “large volume and wide coverage” and “work-residence balance”, and there are difficulties in terms of funds, policies, and approval for “commercial-to-rental” and “industrial-to-rental”^[11–13]. In terms of the optimization path, it is proposed that the institutional optimization for stock renewal needs to shift from the single “incremental space control” to the “capacity control” of urban comprehensive governance^[14–15]. This paper analyzes the innovation of the supply of affordable housing from the perspective of “property rights constraints”, based on the conversion of non-residential existing housing in Guangzhou into affordable rental housing, and examines the unique “policy flexibility” mechanism in urban stock renewal, providing a new theoretical perspective for solving the problems of institutional barriers and resource activation.

2. The “unchanged nature” renovation mechanism for non-residential existing housing in Guangzhou

Since 2021, the state, Guangdong Province, and Guangzhou City have successively introduced relevant policies to promote the conversion of non-residential existing housing into public rental housing, clarifying the applicable scope, working principles, working procedures, and regulatory details of the conversion of non-residential existing housing into public rental housing.

2.1. Policy design logic: Resolving property rights conflicts and the supply and demand of affordable housing

In the face of tight urban land resources and pressure on the supply of affordable rental housing, Guangzhou has broken the traditional path dependence through the “unchanged nature” policy. According to the strict restrictions on land use, nature changes under the Land Administration Law, traditional renovations require paying high land transfer fees and going through complex approval processes, resulting in high costs and low efficiency. The “unchanged nature” policy allows non-residential existing properties such as commercial offices, hotels, factories, warehouses, and scientific research and education to be temporarily converted to the purpose of public rental housing without changing the land use period and nature of use. This avoids the rigid constraints of the property rights system, lowers the threshold for renovation, and provides a low-cost path for the rapid expansion of public rental housing. In addition, it is clear that non-residential buildings within industrial blocks are prohibited from being renovated to prevent industrial hollowing out and avoid conflicts of land use functions; At the same time, it is emphasized that special types of renovations, such as historical buildings and traditional style buildings must follow the cultural heritage protection procedures.

2.2. Breakthroughs in core systems: Innovation in multi-dimensional policy tools

The implementation framework of the “unchanged nature” renovation mechanism for non-residential existing houses in Guangzhou is constructed with three core institutional innovations. The first is the property rights maintenance system. Guangzhou has innovatively proposed the “five unchanges” principle, that is, the property ownership certificate, land use period, land use nature, building height, and floor height remain unchanged, no

additional land price is paid, reducing the initial capital investment and policy risks for enterprises. The second is to simplify the approval process. A “1+N” joint review system led by the district-level housing and urban-rural development department was established. The review authorities of 12 departments, including planning, fire control, and environmental protection, were integrated, and the decentralized approval was transformed into parallel approval, significantly shortening the project implementation cycle. Third, technical standards are compatible. Develop differentiated technical specifications for renovation based on the characteristics of non-residential buildings, and achieve a balance between existing standards and residential needs in terms of fire safety, building structure, and living comfort.

2.3. Synergistic implementation of entities: Government guidance and market participation linkage

The efficient operation of the “unchanged nature” reconstruction mechanism relies on the collaboration of multiple entities. The government plays a leading role in creating a policy environment by formulating operational guidelines, establishing a negative list of access, and implementing financial subsidies; Market entities responded positively. Real estate enterprises, asset management companies, etc., acquired and leased idle commercial and industrial properties and carried out specialized transformation and operation. The original property owners participate by means of cooperative development, equity investment, etc., and share the gains from property appreciation; The community and tenants provide feedback through channels such as opinion solicitation and satisfaction surveys to facilitate the improvement and upgrading of the renovation project.

2.4. Strengthen supervision and management: Ensure the long-term operation of the mechanism

A sound supervision and management mechanism is the key to the long-term operation of the “unchanged nature” reform mechanism. Guangzhou has clarified the primary responsibility of each district government in promoting the renovation work. The housing and urban-rural development departments of the districts, in conjunction with the town governments and sub-district offices, have established a daily inspection mechanism to conduct random checks on the construction, leasing, operation, and other links of the renovation projects. For violations such as “rent-to-sell”, division registration, transfer, and mortgage, and illegal business operations, they will be dealt with in accordance with the law. At the same time, strict regulations will be imposed on the exit mechanism for renovation projects. If a project provides false information, has inconsistent declaration commitments and refuses to rectify or still fails to meet the requirements after rectification, has not reached the operational period but needs to exit early due to special reasons, or needs to exit due to policy adjustments at the national, provincial or municipal levels, the district housing and urban-rural development department will revoke the project recognition letter. The project must exit on schedule and be restored to its original planned use, and the compliance operation of the renovation project must be ensured through full-process supervision.

3. Effectiveness and challenges of the “unchanged nature” renovation mechanism for non-residential existing housing in Guangzhou

3.1. The effectiveness of the “unchanged nature” renovation mechanism for non-residential existing housing in Guangzhou

First, it effectively increased the supply of affordable housing. Take Panyu District as an example. From 2021 to

2024, the number of recognized public rental housing units has been on the rise, with 16,494 units recognized in 2024. Among them, non-residential housing conversion projects have made significant contributions, enabling the efficient allocation of land resources within the region in the housing security sector. The Jianxin Youjia Yingyuan Road project in Guangzhou and the Jianfangyu Cultural Park Station Store project in Liwan District have provided more affordable housing options for new urban residents and young people by renovating industrial plants, with rents of only about 75% of the surrounding market rents. The second is to improve the efficiency of land resource utilization. For instance, the project at No. 151, Shanmulan Road, under Jianfang Long-Term Rental and the project of transforming old factory buildings into public rental housing in Siyou Village, Yuexiu District, have made a remarkable transformation of land resources from low-efficiency industrial use to high-efficiency residential security use, greatly enhancing the utilization efficiency of land resources in the urban core area. Third, improve the supporting facilities of public services. The renovation project pays attention to the matching of public service facilities in its design. For example, YOU+ International Youth Community offers an intelligent community experience of “move-in ready.” The Jianfangyu Cultural Park Station Store project has facilities such as a library, gym, reading space, and public kitchen in the public area, enhancing the community’s cohesion and residents’ satisfaction.

3.2. Challenges in the “unchanged nature” renovation of non-residential existing houses in Guangzhou

There are many challenges in the implementation of the “non-residential to housing security” project in Guangzhou. First of all, the project approval process is cumbersome. Although there is a joint review system, renovation projects still need to be jointly reviewed by multiple departments, involving multiple requirements such as structural safety, fire protection, and environmental protection, which leads to slow progress and difficult supervision. Secondly, the project requires a large amount of capital to be invested in renovation and facilities, and after the renovation, it needs to be equipped with complete public service facilities, resulting in high operating costs. At the same time, there is a mismatch between supply and demand, making it difficult to strike a balance between cost control and quality improvement. Finally, when projects need to exit due to market changes or policy adjustments, complex exit mechanisms and unclear compensation standards may harm the interests of operators and investors.

4. Suggestions for optimizing the supply of affordable housing under property rights constraints

4.1 Optimize the approval process from the perspective of institutional innovation and collaborative governance to improve the efficiency of the “non-residential to subsidized housing” project

Drawing on advanced domestic and international experiences such as Singapore’s “one-stop Service Center”, integrate the approval functions of multiple departments, including planning, construction, fire control, and environmental protection, and build a unified “one-stop” approval service platform. Through information sharing and process reengineering, “one-stop online” and “parallel approval” for project approval have been achieved, thereby significantly reducing approval time and improving administrative efficiency. Introduce the “tolerant acceptance” mechanism, that is, on the basis of compliance, implement “tolerant acceptance” for some non-critical materials to accelerate the progress of the project. Develop differentiated approval processes based on the actual situation of different scales and types of “non-residential insurance transformation” projects. For small, low-risk

projects, simplify the approval process and implement a filing system; For large and complex projects, special approval guidance and green channels are provided to ensure smooth progress of the projects.

4.2. Build a diversified financial support system to facilitate the sustainable development of “non-residential to insurance” projects

In line with the concept of green finance, a special green finance fund for “non-residential to insurance” will be established. The fund will be led by the government and jointly funded by financial institutions and social capital, with a focus on supporting “non-residential to insurance” projects that adopt green building standards and energy-saving technologies. Select well-operated and stable rental income “non-residential to insurance” projects, and use their future rental income rights as underlying assets to promote the securitization of “non-residential to insurance” project assets. Establish a shared fund pool and mutual assistance mechanism for “non-residential to insurance” projects. Organize multiple non-residential social insurance project entities to jointly contribute funds to establish a shared fund pool, which will be managed by a professional institution to support the temporary capital turnover and emergency renovation needs of member projects. Establish a mutual aid mechanism. When a project encounters financial difficulties, it can obtain short-term loans through the fund pool and repay them first after the project returns, achieving risk sharing.

4.3. Precise demand and dynamic synergy to promote the sustainable operation of non-residential insurance conversion projects

Collect multi-dimensional data such as population inflow trends, employment concentration areas, and transportation convenience, and draw a “work-residence heat map” to visually present potential demand areas. Develop an intelligent site selection model that takes into account factors such as land cost, surrounding facilities, and the distance between work and residence to provide the best site selection plan for the “non-residential to insurance” project. Promote the concept of “shared space”, build public service Spaces proportionally, construct a “15-minute rental living circle”, and achieve coordinated development of the project with surrounding commercial, educational, medical, and other supporting facilities. Establish a dynamic monitoring and adjustment mechanism, regularly collect tenant feedback, and adjust the layout and function of supporting facilities in a timely manner according to changing needs to ensure the long-term adaptability of the project.

4.4. Establish and improve the exit mechanism to ensure the sustainability of non-residential conversion to insurance projects throughout their entire life cycle

Establish diversified exit channels, including market-based transfer, government repurchase, and asset securitization exit. Allow the project entity to transfer property rights or management rights through market-based means after meeting the conditions; The government may repurchase projects that meet the needs of the public interest at a certain price. Establish a dynamic assessment system for the entire project life cycle, conduct regular comprehensive evaluations of operational status, asset value and social benefits, and formulate reasonable compensation standards based on this to safeguard the rights and interests of project entities and tenants. Establish risk warning mechanisms to identify potential risks in advance and adjust strategies in a timely manner.

5. Conclusions and outlook

The implementation path of Guangzhou’s “non-residence to insurance” policy provides an effective way to solve

the housing problems of new urban residents and young people. The successful implementation of this policy expands the theory of urban governance and demonstrates the importance of “informal institutional innovation” in stock renewal. Through the “unchanged nature” renovation mechanism, an effective path for the supply of affordable housing has been achieved under the constraints of property rights. The core of this is to break through institutional bottlenecks through policy flexibility and provide new ideas for the supply of affordable rental housing. The key to its success lies in cross-departmental collaboration (joint review) and balance of interests (reducing enterprise costs and safeguarding housing rights), providing a replicable model of practice for the housing security problem in megacities. However, the limitations of the study are that it only focuses on the case of Guangzhou, lacks comparative analysis of multiple cities, and does not cover community governance issues after renovation, such as resident integration and public service supply, which will be further explored in the next step to provide more comprehensive theoretical support and practical guidance for urban renewal and the optimization of housing security policies.

Disclosure statement

The authors declare no conflict of interest.

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