

# The Impact of Real Estate Purchase Restriction Policy on Urban Economic Development—A Case Study of Beijing

Yaru Yang \*

Singapore Institute of Management, Singapore

\* Corresponding Author Email: [yyang068@mymail.sim.edu.sg](mailto:yyang068@mymail.sim.edu.sg)

**Abstract.** Since 2010, Beijing's purchase restriction policy has been adjusted several times to adapt to the market and promote stability. In April 2024, the policy was eased for housing areas outside the Fifth Ring Road, marking the first major adjustment in 13 years. This paper analyses the economic impact of Beijing's real estate purchase restriction policy, focusing on its effect on investment, consumption, industrial structure, and employment. The study indicates that the purchase restriction policy initially hinders investment and consumption in the short term but contributes to market stability and industrial optimization in the long run. The policy change has increased housing sales and growth in related industries outside the Fifth Ring Road, promoting economic development in the suburbs. Furthermore, the policy has a nuanced impact on the employment market, encouraging labor mobility toward high-tech and service industries while affecting employment in real estate-related sectors. The study suggests that policymakers need to consider the impacts of various aspects to ensure the healthy development of the real estate and employment markets.

**Keywords:** Purchase restriction policy; Beijing real estate market; economic development.

## 1. Introduction

### 1.1. Background and Significance

Against rapid urbanization and economic development, property prices in China's real estate market, especially in first-tier cities such as Beijing, have become a focus of attention for all sectors of society. As the political and cultural center of the country and an important hub for international exchanges, the stability of the real estate market in Beijing is not only related to the quality of life of its residents but also an important part of the healthy development of the national economy. In recent years, the rapid rise in property prices has triggered speculative behavior in the market, exacerbated the uneven distribution of social resources, and posed a potential threat to economic stability and social harmony. The Beijing Municipal Government has introduced a series of 'restrictive' measures to control the rapid growth of property prices and maintain the smooth operation of the market. According to the 'Notice on Optimizing and Adjusting the City's Housing Purchase Restriction Policy' issued by the Beijing Municipal Commission of Housing and Construction on 30 April 2024, purchasing commercial properties outside of the Fifth Ring Road would be permitted while keeping the current housing purchase restriction policy unchanged. This marks the first optimal regulation of the property market in Beijing since it was implemented in 2011, after a gap of 13 years. Using Beijing as a case study, this research explores in depth the impact of the real estate purchase restriction policy on urban investment, consumption, industrial structure, and employment. It aims to provide a scientific basis for policy formulation and regulation by relevant departments, contributing to the stability and sustainable development of the real estate market. Furthermore, from an economic perspective, analyzing the impact of the purchase restriction policy on investment, consumption, industrial structure, and employment helps us better understand the interaction between the real estate market and economic development. This study promotes optimizing and upgrading economic structure, effectively curbing property speculation, facilitating the rational allocation of residential units, and maintaining social fairness and justice.

## 1.2. Literature Review

This research paper synthesizes multiple academic studies on real estate purchase restriction policies to examine their effects on house prices, economic development, market supply, and demand. Xu analyzed the effect of purchase restrictions on house prices based on the HCW model, providing theoretical support for understanding the direct effects of the policy on the real estate market [1]. He's study further enhanced the understanding of the policy's impact, particularly regarding real estate prices [2]. By analyzing the case of Wuhan City Circle, Zhang and Li studied the specific impact of housing purchase restriction policies on house prices, providing an empirical study for regional market analysis [3]. Fang explored the effects of the purchase restriction policy in different regions from the perspective of regional differences, uncovering the influence of geographical characteristics on policy effects [4]. Cui et al. explored the impact of the real estate purchase restriction policy on economic development from a macroscopic perspective, based on the transmission path of housing consumption and theory, providing insights into the macroeconomic effects of the policy [5]. Li focuses on Beijing's commercial residential purchase restriction policy and examines the effects of the policy in the city's specific environment, providing a city-specific case study [6]. Yang studied the regulatory effects of Chengdu's purchase restriction policy on the real estate market, providing a reference for comparing policy effects between different cities [7]. Qu, on the other hand, analyzed the government's policy regulation, revealing the complexity and multidimensionality of China's real estate market [8]. Overall, these pieces of literature show that the real estate purchase restriction policy is a complex economic tool, and its effects are influenced by a variety of factors, including regional economic conditions, market supply, and demand, and the precision of policy design. By raising the investment threshold, adjusting market expectations, and guiding capital flows, the policy has a multi-dimensional impact on house prices, investment, consumption, industrial structure, and employment. These studies provide valuable experience and insights for Beijing and even other cities in formulating and adjusting real estate purchase restriction policies.

## 2. Overview

### 2.1. Development of Beijing's Real Estate Market

As the political and cultural center of China and the center of international communication, Beijing's real estate market has always been the focus of attention for domestic and foreign investors. Since the country's reform and opening, Beijing's real estate market has seen rapid development, characterized by significant growth in property prices and transaction volumes, becoming a major driver of the city's economic growth. The market comprises residential, commercial, and office segments, with the residential market taking the lead. According to the Beijing Municipal Bureau of Statistics, from January to April 2024, new construction by real estate developers in Beijing amounted to 3.128 million square meters, marking a 22.7% decrease from the same period in 2023. Likewise, land for new housing, office buildings, and commercial business premises decreased by 25.5 percent, 52.1 percent, and 48.4 percent, respectively. There were 3,035,000 square meters of new commercial residential sales, showing a 12.1 percent decrease from the same period in 2023. Of this, 2.108 million square meters of residential sales, a 14.5% decrease, 231,000 square meters of office space, a 10.4% decrease, and 173,000 square meters of commercial and business land, a 32.4% decrease [8]. According to data from the National House Price Quotation, the average unit price of housing for sale in Beijing in April 2024 was 65,600 yuan per square meter, showing a year-on-year decrease of 8.36%. Meanwhile, the average monthly rent was RMB 123 per square meter per month, indicating a 1.98% year-on-year increase [9-10]. Overall, in early 2024, Beijing's property market was experiencing a complex situation characterized by a decline in new construction and sales areas, adjustments in housing prices, and stable growth in the rental market.

## 2.2. Purchase Restriction Policy

On 30 April 2010, in response to the State Council's call to curb the rapid rise in property prices, the Beijing Municipal Government issued the 'Ten National Rules', restricting residents' purchase of second homes. This provision is also known as the 'housing purchase restriction policy'. Since 30 April 2010, real estate purchase restrictions have been implemented nationwide. On 17 February 2011, to further strengthen the housing purchase restriction policy, Beijing Municipality issued the 'Beijing Fifteen Rules', which raised the threshold for foreigners to purchase homes in Beijing, clarified the restrictions on home purchases for families of different household registrations, and strictly audited the qualifications for home purchases. In August 2022, the Beijing Municipal Commission of Housing and Construction ('BCHC') issued the 'White Paper on Beijing Housing and Urban-Rural Construction Development (2022)', which mentioned that in 2022, based on maintaining the continuity and stability of the real estate policy and regulation, Beijing would further promote the refinement and precision of the policies and measures, and push forward the virtuous cycle and healthy development of the real estate industry. 30 April 2024, the Beijing Municipal Commission of Housing and Construction ('BCHC') issued the 'White Paper on Optimizing the Development of the Real Estate Sector in Beijing'. The Beijing Municipal Commission of Housing and Construction issued the Notice on Optimizing and Adjusting the City's Housing Purchase Restriction Policies, which allows the purchase of commercial properties outside the Fifth Ring Road under the premise that the current housing purchase restriction policies remain unchanged (See Table 1).

**Table 1.** Evolution of Beijing's purchase restriction policy

Vintages	Contents
2010	The Beijing government issued the implementation details of the 'Ten National Rules', and for the first time implemented the purchase restriction policy.
2011	Beijing government issues 'Beijing 15 Rules', raising the threshold for foreigners to purchase homes in Beijing.
2022	Beijing Municipal Commission of Housing and Urban-Rural Development releases 'White Paper on Housing and Urban-Rural Development in Beijing (2022)'.
2024	Beijing Municipal Commission of Housing and Construction issued the 'Notice on Optimizing and Adjusting the City's Housing Purchase Restriction Policy, relaxing the purchase restriction policy'.

## 2.3. Contents and Characteristics

The purchase restriction policy plays a crucial role in the macro-control of China's property market. The policy restricts the eligibility of home buyers, the number of homes to be purchased, and the conditions of purchase through a series of administrative means to curb the rapid rise in property prices and promote the healthy development of the market. Specifically, the purchase restriction policy usually requires buyers to provide proof of tax or social security payments for a certain period as a criterion for qualifying to purchase a home and sets a limit on the number of housing units that a family or individual can purchase within a certain period. In addition, certain cities have imposed stricter purchase restrictions on specific areas to accommodate different regional property market conditions. At the same time, the policies also include means such as increasing the down payment ratio and matching credit policies to discourage investment demand for home purchases. It is worth noting that the purchase restriction policy has obvious geographical and stage-specific characteristics, with different cities making dynamic adjustments to the policy according to the actual needs and changes in the local market. This differentiated and flexible approach to regulation is aimed at balancing market supply and demand and protecting the reasonable housing needs of residents while avoiding market overheating and speculation.

### 3. Impact of Real Estate Purchase Restriction Policies

#### 3.1. Investment

As the political and cultural center of China, Beijing's policy of restricting purchases in its real estate market has had a significant impact on the investment sector. Since the implementation of the policy, investors have faced stricter purchase conditions and higher market entry thresholds, and these changes have directly led to a reconfiguration of investment behavior and capital flows. The purchase restriction policy has increased the threshold for investing in real estate through measures such as increasing the down payment ratio for home purchases and restricting the eligibility for home purchases, thereby suppressing some of the investment demand. The purchase restriction policy implemented in Beijing first raised the threshold of real estate investment by setting restrictions on the qualifications and number of properties to be purchased, which directly affected the supply and demand relationship in the market, and thus changed investors' expectations of the trend of house prices. Although the purchase restriction policy has had a short-term negative impact on real estate investment in Beijing, in the long term, the purchase restriction policy has helped to promote the optimization of the investment structure of the real estate market, encouraging investment in diversified areas such as the rental market and the construction of subsidized housing (See Fig. 1).

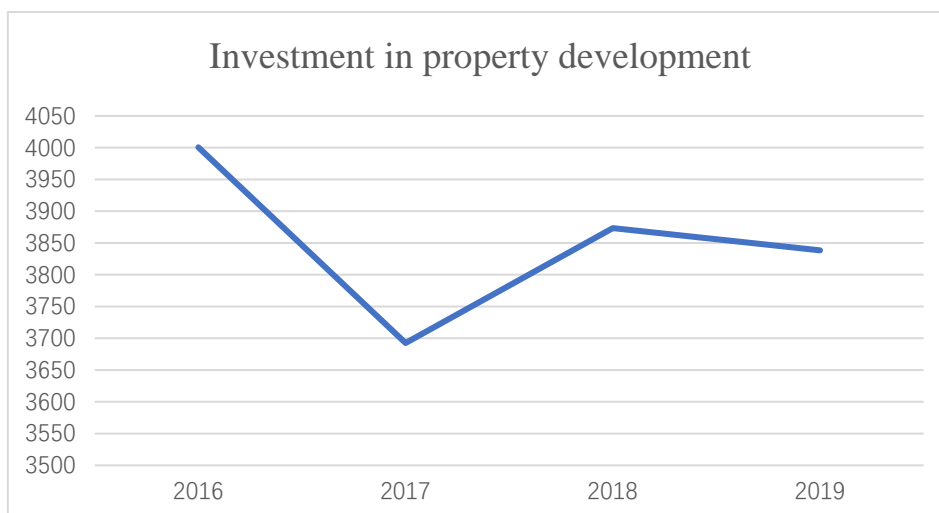
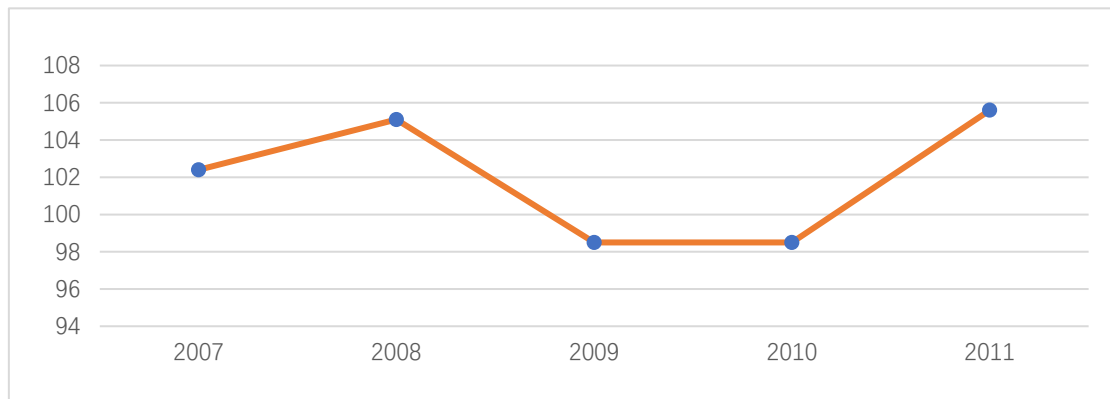


Fig. 1 Investment in property development after the implementation of the policy

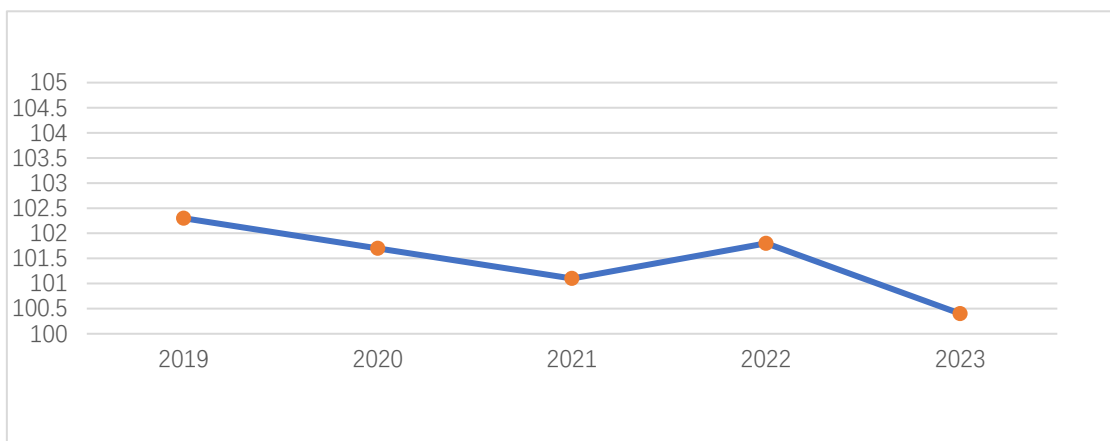
#### 3.2. Consumption

Before the implementation of the purchase restriction policy, according to the National Bureau of Statistics, the consumer price index was on an upward trend. This is shown in Fig. 2. After the implementation of the purchase restriction policy, according to the National Bureau of Statistics, the consumer price index is gradually decreasing. As shown in Fig. 3. The overall consumption level has been suppressed in the short term. By limiting the overheating of the real estate market, the purchase restriction policy promotes the optimization of the residents' consumption structure and guides the flow of funds to other consumption areas such as education, tourism culture, and entertainment. Secondly, the purchase restriction policy can also change residents' expectations of the future property market, which may lead to a reduction in expenditure on home purchases and thus increase demand for other consumer goods. At the same time, the purchase restriction policy can help stabilize housing prices and improve income distribution, allowing lower and middle-income groups to have more opportunities to purchase housing, thereby increasing the overall level of consumption. In the long run, the purchase restriction policy has helped to form stable market expectations, promote a shift towards higher quality consumer goods and services, and facilitate the stable and healthy development of the consumer market.2024 On 30 April, the Beijing Municipal Commission of Housing and Construction issued the Notice on Optimizing and Adjusting the City's Housing

Purchase Restriction Policy, which significantly loosened the restrictions on home purchases outside the Fifth Ring Road. After the policy adjustment, families who were originally unable to purchase improved housing due to the purchase restriction now have more opportunities to purchase housing, which will directly drive housing sales in areas outside the Fifth Ring Road and increase consumption of related industry chains, such as decoration and furniture. The policy encourages the purchase of homes in areas outside the Fifth Ring Road, which will help ease the population pressure in the city center, promote the movement of the population to the suburbs, achieve a balance between jobs and housing, and in turn drive the development of the consumer market in the suburbs.



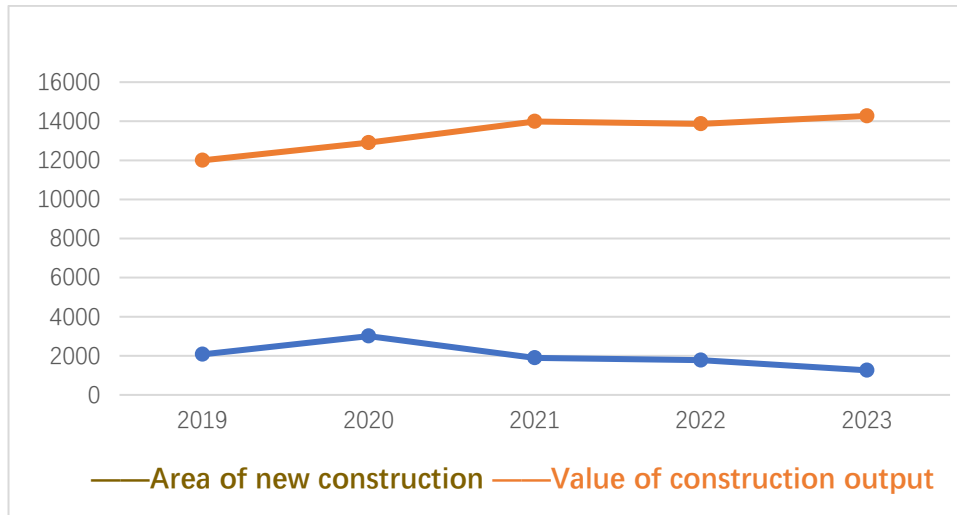
**Fig. 2** Beijing's Consumer Price Index Before Policy Implementation



**Fig. 3** Beijing's Consumer Price Index After Policy Implementation

### 3.3. Industrial Structure

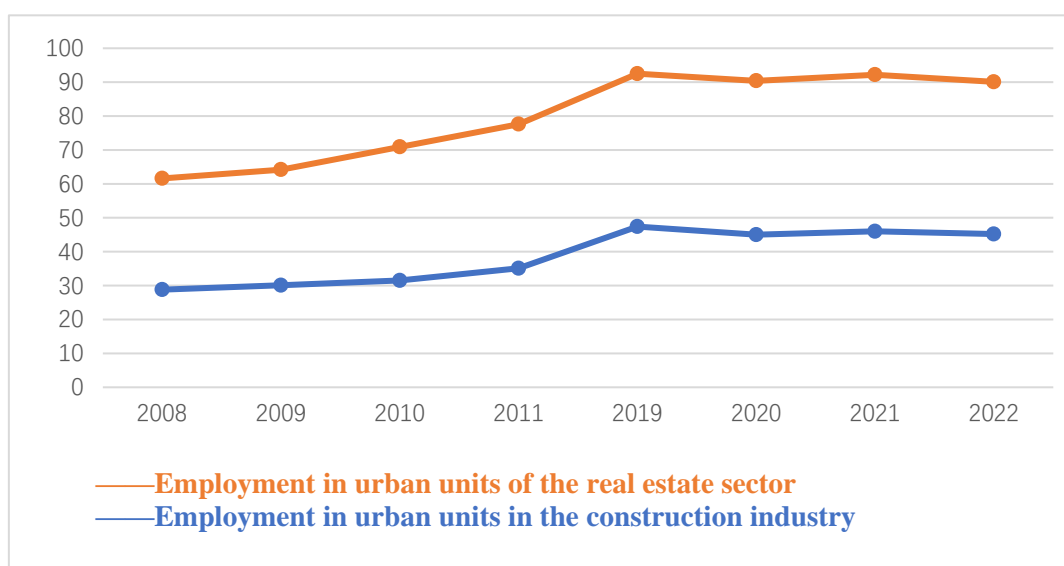
Since the implementation of the purchase restriction policy, the new construction area and sales area of the real estate industry in Beijing have declined. Real estate-related industry chains such as the construction industry have also experienced a slowdown in the number of construction projects and output value due to the implementation of the purchase restriction policy. As shown in Fig. 4. At the same time, the purchase restriction policy also affected the service sector, especially the financial, education, and medical sectors, which showed a stable growth trend, indicating that capital may shift from the real estate industry to the service sector. The purchase restriction policy has a significant negative impact on the real estate industry but positively promotes the service and high-tech industries. By raising the investment threshold of the real estate market, the purchase restriction policy has curbed market overheating, prompted the transfer of capital and resources to high-tech industries, services, and other real economy sectors, and promoted the optimization and upgrading of industrial structure.



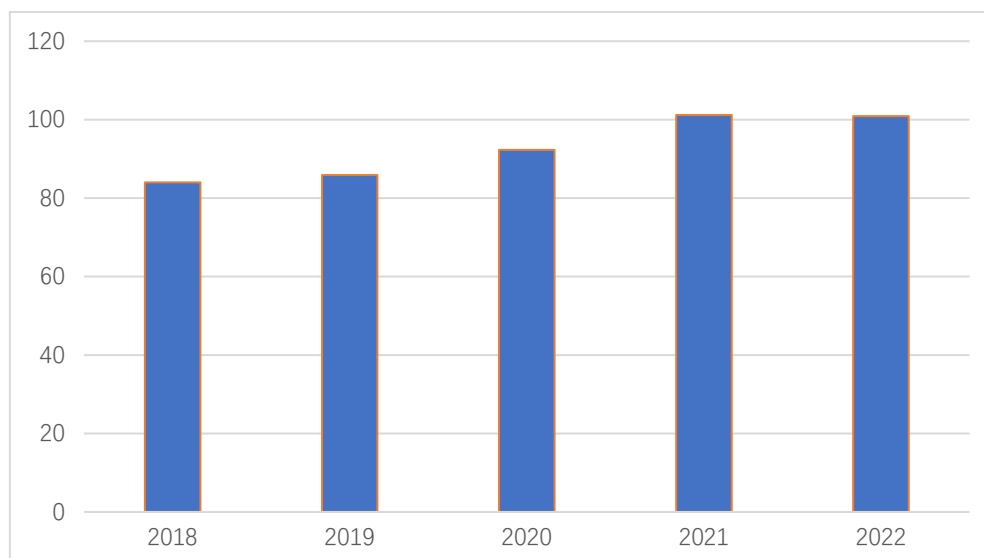
**Fig. 4** Impact of the purchase restriction policy on the industrial structure

### 3.4. Employment

The restriction policy has indirectly affected the employment structure (See Fig. 5). As the growth of the real estate industry has slowed down, there has been a tendency for the labor market to shift to other industries. By raising the threshold and restricting the conditions for home purchase, the policy directly affected the activity of the property market, which in turn had a contractionary effect on employment in the real estate and related industries. Before the implementation of the policy (2008-2011), employment in the real estate industry was on an upward trend. However, after the implementation of the policy (2019-2022), employment in the real estate industry is slowly declining. The construction sector has also been affected to some extent as real estate investment and new construction projects have declined. However, the impact is not all negative; the restriction policy has also facilitated the movement of labor to other sectors, especially information transmission, software, and information technology services, which have shown a trend of employment growth after the implementation of the policy. By curbing the excessive growth of the real estate market, this policy promotes labor mobility to non-real estate sectors, such as information transmission, software, and information technology services, and helps to optimize the employment structure (See Fig. 6).



**Fig. 5** Impact on Employment



**Fig. 6** Employment in Information transmission, software and information technology services

## 4. Conclusions and Implications

### 4.1. Conclusions

This study provides an in-depth analysis of the impact of Beijing's real estate purchase restriction policy on investment, consumption, industrial structure, and employment. The study finds that the purchase restriction policy has suppressed real estate investment demand and consumption expenditure in the short term by raising the threshold for home purchase and adjusting market expectations, but in the long term, it has facilitated the flow of capital and resources to other industries and optimized the investment structure and consumption pattern. In addition, the purchase restriction policy has played a positive role in the optimization and upgrading of the industrial structure and the balanced development of the employment market, especially in promoting the development of high-tech industries and the service industry. After the policy adjustment, the real estate market in areas outside the Fifth Ring Road has become more active, driving the development of related industrial chains and promoting the prosperity of the suburban economy. Policymakers have requested that when formulating and adjusting policies, they need to consider the impact on different industries and groups in a comprehensive manner, to ensure that the policies can both stabilize the property market and have a positive effect on the job market.

### 4.2. Implications

The real estate purchase restriction policy provides important insights into the macro-control of the Beijing real estate market. Firstly, the purchase restriction policy needs to be precisely positioned to implement differentiated measures for overheated market areas and specific groups of people to avoid unnecessary impacts on the overall economy. Second, industrial diversification should be promoted by directing capital flows to high-tech and service sectors to reduce reliance on real estate, while safeguarding social equity, curbing speculative home purchases, and meeting the housing needs of low- and middle-income groups. Policymakers also need to focus on the balanced development of the job market and improve the quality of employment through talent policies and industrial support. Regionally differentiated purchase restriction policies can help guide the movement of population and industry to the suburbs or new districts and achieve synergistic regional development. In addition, it is crucial to maintain the stability of market expectations and the flexibility and adaptability of policies, and it is necessary to plan from a long-term perspective, considering the sustained impact of policies on the economy, society, and the environment. Finally, policies should consider the diverse needs of residents for housing and continuously monitor their effects to ensure their effectiveness and

adaptability. These insights can help guide future policymaking for the smooth and healthy development of the property market and the economy.

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