

Benchmark Land Price in China: Present State and Outlook

中国基准地价现状及展望

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1. Background

Problems: lack of land transaction cases.

in 1978, China began to reform and open up, It gradually resulted the reform of the urban land use system and the housing system. However, since the land market was just established. There was a lack of land transaction information as reference for land price appraisal in many places. Pricing of land became a problem, giving birth to the appraisal of the benchmark land price.

Present situation of the benchmark land prices in China

- All provincial capitals in China ;
 - 2,717 county-level cities and towns; 91% of the national total ;
 - All county-level cities and towns in 20 provinces ;
- Have set the benchmark land prices.

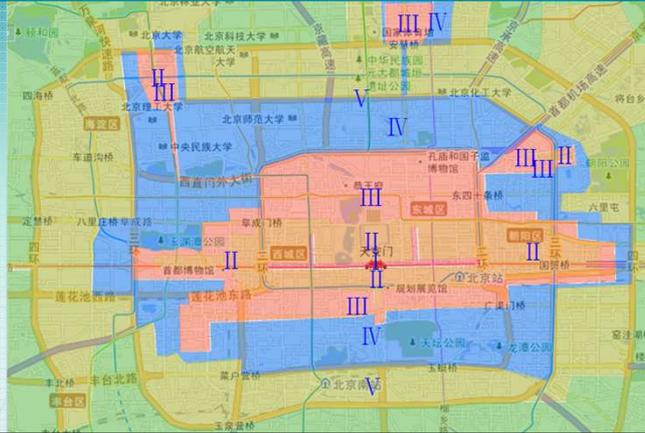
In 2001, two technical *regulations promulgated* :

- *Regulations for Gradation and Classification on Urban Land* (GB/T18507-2001)
- *Regulations for Valuation on Urban Land* (GB/T18508-2001)

2. Characteristics of the benchmark land prices in China

A regional price. The benchmark land price is the price set on the average conditions in a region.

In the appraisal of the benchmark land price, a town is divided into multiple regions. Due to the similar land conditions in a region, the land prices in the same region are mostly in the same range.



• **A clear connotation** . The benchmark land price reflects the status quo and the overall situation of land use, such as ,the type of land rights, term of use, purpose, maturity date, the degree of development and utilization, plot ratio ,etc.

Table 1 Connotations of Benchmark Land Prices in Guangzhou 2011

Land for Trade	Degree of Land Development	Five accesses and one leveling			
	Average Plot Ratio	Rational			
	Price Type	The land-value of first floor			
Land for Residence and Integrated Purposes (Office Land)	Degree of Land Development	Five accesses and one leveling			
	Average Plot Ratio	2.7	1.8	1.8	1.8
	Price Type	The land-value of floor			
Land for Industry	Degree of Land Development	Five accesses and one leveling			
	Average Plot Ratio	1.0			
	Price Type	Land value			

3. Appraisal of the benchmark land price.

“pricing land by grade” . an overall survey of the town’s economic society is conducted first, then each and every grading factor is quantified, according to which land gradation is made; and finally different levels of benchmark land prices are appraised on the basis of such gradation.

Step1:Investigations, All the informations and datas of the town’s economic and society are collected. It’s mainly include two aspects. **One is** the factors that influence the land price, such as the business centers, roads, public traffic, schools, hospitals, green spaces, gardens, population, urban planning, and so on. **The other is** the transactions and lease cases and samples of land use, transfer and development in the real estate market.

Step2:To quantify the urban land grading

information. In most cases, math models and the GIS spatial analysis technology are adopted to analyze and quantify the relations between such factors and the land price, then calculate the influence scores. High scores mean high land prices, and vice versa.

Step3:To grade the benchmark land price. We divide rational ranges of scores via statistical analysis, grade them in the geographical space with the work map .

- **Step4. Getting the graded land prices.** using the cost method and the income capitalization approach, we appraise the land prices of the cases or samples acquired in the field investigations , analyze the sample land prices within the grade, and get the graded land prices.

Table 2 Graded Benchmark land prices in Guangzhou 2011

Unit: Yuan/M²

Land for Trade		Land for Residence		Land for Industry	
Grade	Price	Grade	Price	Grade	Price
1st-Grade	29991	1st-Grade	9181	1st-Grade	1419
2nd-Grade	18334	2nd-Grade	7499	2nd-Grade	900
3rd-Grade	13840	3rd-Grade	6142	3rd-Grade	679
4th-Grade	8654	4th-Grade	4353	4th-Grade	599
5th-Grade	6486	5th-Grade	2821	5th-Grade	449
6th-Grade	4664	6th-Grade	1659	6th-Grade	358
7th-Grade	2957	7th-Grade	701	7th-Grade	309
8th-Grade	1564	8th-Grade	446		
9th-Grade	937	9th-Grade	347		
10th-Grade	550				

The defects of the method of "pricing land by grade".

- Cannot directly reflect the spatial distribution of land prices. Regions with good land conditions may not see high land prices, and there may be factors which influence the local land prices, but are not taken into consideration.
- Various influencing factors have complicated impacts on land prices, leading to inconsistency between "grade" and "price".
- An overall fields investigations mean heavy workload.

Thus it is a method adopted at a low degree of land marketization.

"grading based on price", ie, to directly investigate land prices in the great number of transactions in the real estate market, getting the spatial distribution rules of the prices of the cases, then determine the grades.

4. Applications of the benchmark land price

4.1. Its application to the appraisal of parcel land price.

In the *Regulations for Valuation on Urban Land*, the land datum value method is recommended along with the market comparison approach, the cost method and the income capitalization approach to be optional in the assessment of parcel land.

4.2. The benchmark land price as the reference standard in the development of policy-oriented land prices by the government.

The government authority may refer to the benchmark land price of the region in which the land parcels to be transferred are located to judge whether the appraised price is rational, so as to prevent individual appraisers from purposefully assigning too high or too low price out of some interests.

4.3. Its gradual application to the collection of land use tax and other taxes.

some cities set the standards of taxes based on the gradation of the benchmark land price.

5. Development prospects of the benchmark land price in China

- **5.1. New methods and techniques of appraising the benchmark land price have been applied constantly.** Computer technologies and GIS are used more in grading the benchmark land price.
- **5.2. A more detailed classification of the purposes of the benchmark land price has been made.**
- **5.3. The regional classification of the benchmark land price becomes more detailed.** Some cities ,on the basis of the graded benchmark land price, began setting the route price and grid price covering smaller areas and making the regional benchmark land price closer to the actual market price.

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Thanks!

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