

# The Issue of Value and Price in Land Market Research

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**Key words:** Cadastre; Legislation; Spatial planning; Urban renewal; Valuation;

## SUMMARY

This paper discusses the reciprocal relationship between land value and the negotiated transaction price of land. In a market that is characterized by many inefficiencies we may hold the hypothesis that price does not equal value (Wyman, Seldin & Worzala, 2011). This hypothesis raises the question of how value and price relate to each other. We present a conceptual framework that understands land transaction outcomes through the lenses of their transaction processes. These processes are shaped by judicial boundaries, laws, regulations and actor behavior. We argue that, together, those institutional aspects determine the interplay between land value and price. In order to allow for transactional aspects in land market analyses, this conceptual framework challenges conventional methodologies and data sources and calls for the use of a combination of both quantitative and qualitative research approaches towards land market research. The framework is applied to two Dutch land market segments: the market for rural land and the market for inner city building land. A hedonic price analysis of rural land prices, based on notarial deeds of purchase, shows the institutional richness of notarial deeds as data source for land market research purposes. It shows the greater explanatory power of including transaction characteristics and with that, it sheds a different light on the use of appraised value or transaction price data in hedonic land market analyses (Ma and Swinton, 2012). Next, an in-depth analysis of inner city land transactions reveals that both value and price are determined during the land transaction process. This finding is different from the causal relation we expected; namely that transaction processes cause a land price to deviate from its value. We conclude that the interplay and difference between land value and land price, caused by the institutional transaction context, should be subject to land market analysis, rather than just the focus on price or value. ----- Ma, S. and Swinton, S.M. (2012), "Hedonic valuation of farmland using sale prices versus appraised values", *Land Economics*, Vol. 88 No. 1, pp. 1-15. Wyman, D., Seldin, M. and Worzala, E. (2011), "A new paradigm for real estate valuation?", *Journal of Property Investment & Finance*, Vol. 29, No. (4/5), pp. 341-358.