

China frees up land market

By Stephen Brown

TO ENCOURAGE LAND investors, the Chinese government is introducing a system allowing local authorities to estimate average land prices on the basis of land grades for different uses.

The idea is to provide a market reference point of average land prices in Chinese cities. These data guidelines will be used when selling to investors.

Public auctions of leases on sites across the border from Hong Kong have been held in the Shenzhen Special Economic Zone. This is identical to the Hong Kong system of leasehold ownership, with the leases containing restrictive development covenants being sold at auction.

While this system has obvious immediate revenue attractions – it is effectively a 100 per cent betterment levy on the increase in value arising from the grant of planning permission – it has many long term drawbacks. For example, in Hong Kong it has become apparent that the planning authorities have little power to precipitate subsequent regeneration. As some uses are made redundant by economic transformation, the owner of the lease still has to pay the difference between existing permitted use in his original lease and the proposed use in order to have development covenants altered.

Urban decay can readily set in as uses become “fossilised” by the original lease terms. Over 200 hectares of industrial space



Grade system shows benefits for investors

has been rezoned, but under 6 per cent has actually been re-developed as there is little or no financial incentive to take the business risks associated with re-building.

The moves in China towards a freer land market is to be welcomed. But the use of leasehold land and restrictive covenants to extract the maximum initial development value may well prove detrimental in the long term. A land use value tax on freehold tenure would be perfectly practical at this early stage of the land market's development in China.

damaged by land speculation. Backing this radical reform was Fife farmer Dr Duncan Pickard, who argued that farmers would gain from this one reform.

But Professor Peter K Brown, of Liverpool's John Moores University, claimed the two British property taxes were “robust”, based on his research funded by the American Lincoln Institute of Land Policy. Brown also told the committee it ought to be certain there was something better before getting rid of the property taxes that worked “reasonably well”.

Should the enquiry find that land tax reform offers a better source of local government funding, the Scottish parliament has the power to propose legislation.

Lairds' power set to be reduced

A BILL undermining the power of landowners is now before the Scottish parliament. If passed crofters would receive the right to buy their land at market prices, and rural communities of more than 20 people would have the right of first refusal when their land is put up for sale.

Ramblers would have extended rights to roam Scotland, where private land ownership is more concentrated than anywhere else in the world.

Land reform campaigner Andy Wightman said that “the biggest impact the Bill has is that it legitimises the debate about property rights”.



The rights to buy and to roam could soon be enshrined in Scottish law

Robert Balfour, spokesman for the Scottish Landowners attacked the Bill declaring: “This Bill imposes huge penalties on landowners. This is not the familiar right to buy and ministers should be honest enough to call it nationalisation.”

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