Summary

This study seeks to explore the regional variations and determinants of land prices in China. A random sample of 190 cities was selected in Mainland China and Hainan Island. Data were obtained from various sources covering the period 1986-1996. Descriptive statistics, ArcView GIS, linear stepwise regression, and Kruskal-Wallis and Mann-Whitney tests were applied to analyze the data.

The empirical results revealed great variations among China’s regions in commercial, residential and industrial land prices, which reflected the regional dimension of China's economic development. The coastal region, especially the Special Economic Zones and Open Coastal Cities, accommodated the highest land prices. A sharp difference in land prices between the coastal and the non-coastal regions was observed. However, little difference between the central region and the western region was detected. Guangdong and Fujian, the two pioneer provinces in China’s reform and open-up program, had higher commercial and residential land prices than other cities except Beijing and Shanghai. The coastal-oriented development policies have shaped China’s land market into a coastal belt with higher land prices and an interior with lower land prices.

The population size and economic strength of a city were two main driving factors for land prices of all land use types. Foreign investment was particularly relevant to the fluctuations of commercial land prices. State investment in fixed assets served as a check on the property market preventing over-investment in commercial properties. The living standard of a city had positive impact on both commercial and residential
land prices. Urban infrastructure improvement had positive impact on industrial land prices. Land prices in China were not only determined by the market mechanism, but also by government interventions. Land prices in a city were affected by the land markets in surrounding cities as well as the global one.

A healthy land market calls for government interventions. It is the role of the central government to plan and balance regional markets according to the local population and economic growth, in the form of laws, regulations and other economic measures, as China’s land market is in its infancy. Meanwhile, the impact of the land prices in other major cities in the world on China’s land market should be taken into account from a global perspective. For local governments, infrastructure improvement rather than lower land price should be recommended for the attraction of foreign investment. A balance among the investment and development of different types of property should be achieved by the intervention of various levels of the government.

For higher economic efficiency and productivity, the development of large cities should be emphasized. But harmonic interactions among the cities with different sizes or in different regions can be achieved by providing transport connections among them. It can be anticipated that improvement in interurban and interregional transport leads to a decline in the economic disparities and land price differences among these cities. Furthermore, the development of China’s vast western territory (Xibu Da Kaifa) may create dynamic property markets in the non-coastal cities in the 21st century.

Keywords: property market, land price, regional development, China