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Biases in appraisal land price information: the case of Japan

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Abstract

Purpose

This paper seeks to investigate the nature and magnitude of the distortion in appraisal land price information according to change in the market, with a special focus on the Government's Published Land Prices.

Design/methodology/approach

In Japan, there is an item of land price information, so-called Koji-Chika (PLPS: Published Land Price Information System), that is a survey of fair market value by the qualified appraisers. The valuation error of this land price information was analyzed using the following method. First, hedonic price indices were constructed based on both actual transaction prices and the Published Land Prices, they were then compared to detect possible distortions in the governmental price information. Also the possibility of structural change in the Japanese real estate markets was studied and its effect on price indices was considered. Analysis of the Tokyo metropolitan area in Japan took place between 1975 and 1999

Findings

Large and systematic discrepancies between actual transaction prices and the Published Land Prices were identified, which might suggest that there are serious problems in the governmental information system. It is believed that it is necessary to consider this issue in the context of the entire real estate appraisal system in Japan.



The land market in Tokyo experienced a so-called Bubble economy, and the rapid rise and fall of the land price were generated for this period.

Keywords

- Real estate
- Smoothing methods
- Market value
- Japan

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