The Tenure Issue of Land Use Right in China: what if it expires?

Description

Most of you don't really care about this as it has nothing to do with you, unless you have a property in China. By a property, I mean mainly apartments, houses, residential or commercial.

A piece of news from Wenzhou, a economic hub of Zhejiang province, an eastern China province, has sort waken up Chinese people who have been intentionally or inadvertently dodging the problem that will come to them sooner or later: what will they have to do when the land use right underpinning their properties in China expires?

Officials at local land bureau blew wind that they will charge the renewal fee equivalent to 1/3 of the appraised market land value at the time of expiry. Note, here they referred to the current market value of the land underneath. Immediately, this news swirled quickly and poked many in the heart throughout the country who have not thought about this issue before. That third can be a huge burden for an ordinary family.

Indeed, the news reached to the top land ministry soon which requested Wenzhou local government to report their final treatment of the issue. Apparently, the central government won't be happy to see there is big ripple in the market.

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Now, do you have to worry if you have a property in China? No ready for you.

As it has been in the last decades, Chinese real estate market has created so many millionaires in a short period of time, a miracle in the world. Many foreign home buyers have benefited enormously from their sale of their China property. Last year, I helped a client in selling his house in down town Shanghai for RMB 24 million which house was back in 12 years ago at RMB 3 million only, and I helped another foreign owner in selling his Beijing home for a dazzling RMB 46 million. Wow…. what can you do to make so much money?

But those who still hold properties in China may have to ask whether they should keep the properties till Chinese government cleared the mystery which was left by China Property Law that provided that at the end of the tenure for the land use right, the land use right will be automatically renewed, but without telling whether home owners are expected to pay further land fee for another 50 or 70 years or pay the fee for each year.

There have been other cases in other places where residential homeowners are required to pay additional fee which is often a small amount calculated with a different formula instead of employing the current market value method.

But if the government is serious about collecting land fee for another 40, 50 or 70 years, then this will deal a big blow to the real estate market which may well precipitate the market on the verge of collapsing.

What do you think?

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