

Determination of the normative price and market value of land plots, methodology, and comparability in the current situation. Land plot valuation based on the example of Georgia

Mari Natsvlishvili

Georgian Technical University, Tbilisi, Georgia, 77 M. Kostava st, 0160

Natsvlishvilimari93@gmail.com

DOI: <https://doi.org/10.52340/building.2025.71.19>

Abstract. The document describes the methodology for the normative and market determination of non-agricultural land plots in Georgia, including the legal framework, legislative registration and valuation practices. The normative order on the state technical regulation of the economy, approved by the Ministry of Economy and Finance of Georgia on January 25, 1999 (№6-№18) and based on the base rate of land tax (0.24 GEL/m²), macro-location and zonal indices and adjustment coefficients, which is 20. This price is intended as the initial cost of the necessary material for the privatization or auction of state land. Depending on the administrative status, economic, infrastructure and geographical parameters, the zone is divided into central, intermediate and peripheral zones.

Market value, a draft law, which was determined by a private independent or Levan Samkharauli-named National Bureau of Forensic Expertise, an analysis of the previous year's accounting analogues. It uses various operations: sale, mortgage, insurance contracts, taking into account the balance sheet, etc. The assessment is determined by the location of the land, lighting capabilities, infrastructure, rights and restrictions, ecological condition and other characteristics. The definition of agricultural land, which contains information on product yield, cultivation costs and market prices, is also considered.

The document is based on the current legislation, practical methods of assessment of state bodies and analysis.

Key words:

Normative Price, Macrolocation Index (IMG), Real Estate Market, Non-Agricultural Land, Agricultural Land, Yield / Agricultural

Productivity.

A land plot is part of the land's surface and sub-surface territory, with fixed boundaries, area (square footage, code), location, legal status, and the legal restrictions defined by laws, which are registered and reflected in the state unified registry of real estate.

There is a distinction between determining the normative price of land and determining the market value of land; these are two different values defined for a territory.

The normative price of the land is defined by the methodology established by legislation, which depends on the land tax, and the normative land price is set based on market value once a year, no later than February of each year, by the representative bodies of the relevant local self-government units – city councils. On the other hand, the market value of land is determined by a private expert, and in

many cases, it is established by the National Bureau of Forensic Expertise named after Levan Samkharauli.

How is the normative price of land determined?

On January 25, 1999, an order No. 6-18 issued jointly by the Minister of Economics of Georgia and the Minister of Finance of Georgia approved the methodology for determining the normative price of non-agricultural land for cities (districts) of Georgia, the macro-location indices of territories, and zoning.

This methodology includes the following:

- The normative price of non-agricultural land is used as the starting price during the privatization process or public auction for state land.
- One of the criteria for determining the normative land price is the base rate of the land tax defined by Article 6 of the Georgian Tax Code – "Land Tax," which is set at 0.24 GEL per square meter for non-agricultural land, along with a regulatory coefficient set by the representative body of the district or city, which is at least 20.

The price of land or the annual rent is determined by the governing body of the district or city based on the land price or rent set during the previous auction or competition, and it should not be lower than the normative price or rent.

The macro-location indices of cities and districts in Georgia are determined based on the socio-economic and natural characteristics of settlements according to the following parameters:

- Population size
- Administrative status
- Economic and functional profile
- Elevation above sea level
- Availability of transportation infrastructure
- Position in the settlement system

In cities and districts, zoning is done based on the following parameters:

- Engineering infrastructure
- Transportation infrastructure
- Social infrastructure
- Urban amenities
- Natural and ecological conditions
- Prestige

1. The macro-location index (I MG) for cities and districts with more than 10,000 inhabitants is determined based on a system of six parameters:
 - Population size
 - Administrative status
 - Economic and functional profile
 - Elevation above sea level
 - Availability of transportation infrastructure
 - Position in the settlement system
2. Zoning in cities with more than 50,000 inhabitants is done in two stages, where three main zones are initially identified: central, intermediate, and peripheral. On the second stage, sub-zones (territorial structural units) are identified in the main zones.
3. In cities with populations between 10,000 and 50,000, zoning is done in a single stage, dividing the territory into three zones: central, intermediate, and peripheral.

Method for Determining Normative Land Price

The normative price of non-agricultural land or the annual rent (or lease) for 1 square meter of land is calculated using the following formula:

$$C N = I M G \times I T L \times C \times K$$

Where:

- C N is the normative price per square meter of non-agricultural land.
- I M G is the macro-location index of the respective city or district.
- I T L is the local territorial index determined by the local authorities based on zoning.

Zoning and Indexing System

- **C** is the base rate for land tax under the Georgian Tax Code (0.24 GEL per square meter).
- **K** is the coefficient defined by the local governing body.

For urban centers with fewer than 10,000 inhabitants, the normative price for non-agricultural land is 50% of the price for the respective city's intermediate zone.

For areas between settlements, the normative price is 25% lower than the price for the respective urban center's intermediate zone.

The land normative price regulatory coefficient, the minimum amount of which is 20 and 2, respectively.

The characteristic of the land plot is that it does not lose its utility characteristics over time. While the value of buildings and structures gradually decreases over time due to accumulated depreciation, the land plot maintains its value.

The market value of the land plot is primarily evaluated for subsequent operations such as:

- Investment of the land plot in the legal entity's charter capital;
- Sale of the land plot;
- Insurance of the land plot (the value of the insurance contract depends on the land plot's value);
- Accounting in the organization's financial records (although depreciation is not recorded for the land plot, as it does not lose its utility characteristics over time, market changes affect the land plot's value, necessitating its revaluation);
- Transfer of the land plot to accredited management;
- Mortgaging of the land plot (banks and credit organizations issue loans by mortgaging the land plot based on

the report of an independent evaluator), and other cases.

Several factors influence the value of a land plot during its evaluation, including:

- Property rights and restrictions;
- Intended and operational purpose;
- Construction criteria;
- Dimensions of the land plot;
- Location, position, and slope;
- Availability of transportation hubs;
- Other factors influencing value.

Specific Features of Land Plot Evaluation:

The evaluation of non-agricultural land plots (in cities, villages, and other settlements) is based on the following data:

- Market data analysis of buying and selling transactions;
- Information about prices of real estate objects available for sale (including undeveloped plots);
- Information about engineering and transportation infrastructure;
- Information about social and residential service facilities;
- Environmental condition;
- Information about historical and architectural-aesthetic value of the landscape;
- Landscape and recreational value of the territory.

When evaluating vacant land plots, one of the most important factors is evaluating them at their highest value based on the principle of their best and most efficient use. The determination of the price of agricultural land is based on the productivity of the main agricultural products, as well as the productivity of meadows, pastures, and perennial crops. It also takes into account the structure of arable lands, the market prices of agricultural products, and necessary costs for

cultivating these crops.

The methodology presented in the conclusion of the Levan Samkharauli National Forensic Bureau is as follows:

Market Value Definition:

"Market value is the monetary amount at which property would change hands between a willing buyer and a willing seller as of the valuation date, in an open and competitive market, after proper marketing, where both parties act knowledgeably and without compulsion."

The market value of real estate is derived

from the interaction of demand and supply for identical (or similar, in the absence of identical) properties in the relevant market during the specified period. The real estate market is considered to be the trading space that is defined by the buyer's/seller's ability to sell/purchase property within the nearest area of Georgia without significant costs.

For the purposes of this evaluation, the appraiser used the market (sales comparison) approach, which involves the direct comparison of the subject property with data of similar properties that have been sold or are available for sale.

Reference

1. **Tbilisi, January 25, 1999, Joint Order №6-№18 of the Minister of Economics of Georgia and the Minister of Finance of Georgia** (The joint order of the Minister of Economics and the Minister of Finance of Georgia, which defines the rules for determining the normative price of land plots and its assessment methodology).
2. **Levan Samkharauli National Forensics Bureau** (The methodology and expert practices used to determine the market value, which are applied in the assessment of land plots).
3. <https://www.rs.ge/LandCalculator> (An online platform that provides land value calculation in Georgia and determines the market value of land based on existing data).