

£1 bn.

The Price of Land Scarcity

- ACCORDING to Tom Baron, one of Britain's house-building bosses, the total cost of land scarcity in 1979 was a staggering £1,000m to home-buyers.
- TO FINANCE this extra cost, mortgage institutions probably lent £700m more than would otherwise have been needed which would have financed another 60,000 mortgages.
- IN THIS article, BERT BROOKES does not challenge Baron's statistics: but he does question the reasons advanced for the crippling shortage of land.

TOM BARON is boss of Christian Salvesson Properties, one of Britain's big housebuilders. In a hard-hitting speech to planners at the Town and Country Planning Summer School, Mr. Baron revealed what he saw as wrong in the present housing set-up. Almost entirely, he said, the problems in the housing market stemmed from the chronic shortage of land. And he accused the planners of being largely responsible.

The facts according to Baron are plain. In the last decade the housing industry's land bank has fallen from 800,000 plots to 300,000; in other words demand for housing land has exceeded supply by around 50,000 plots a year. During the period, building costs rose by 350% but house prices, sucked up by the competition for available sites, soared by 400%. The extra 50%, even allowing for improvements that have taken place in quality, has meant about £2,000 on the price of a house.

This, said Baron, is the "cost of scarcity". It means that, last year, housebuilders spent an extra £300m in acquiring land which ought to have been spent on bricks and mortar, thus providing more homes for people to live in. This extra spending pushed up land prices by 45%.



Great Britain: Private Sector Housebuilding

(Thousands)

	Starts	Completions
1971	207.4	191.6
1972	228.0	196.5
1973	215.7	186.6
1974	105.9	140.9
1975	149.1	150.8
1976	154.7	152.2
1977	134.8	140.8
1978	157.3	149.0
1979	140.6	134.7
1980*	79.3	95.1

SOURCE: Department of the Environment
*January-September, provisional data

But, he insisted, there is no shortage of land as such, only a shortage of planning permissions to use it for housing purposes. The planning system, he charged, takes too long and costs too much. Those who have to use it find it over-elaborate, frustrating and costly. What the housing industry required of the planner was an adequate supply of land at the right time and in the right place. But without a change in the attitude of planners – and their local government masters – he saw little prospect of this requirement being met.

TOUGH TALK; but was Baron right to place on the planners the whole blame for the shortage of housing land? It is really within their province to provide "an adequate supply of land at the right time and in the right place"? Is it true that landowners are queuing up to sell their land to the housebuilder only to be frustrated by the bottleneck of planning?

Or is it more likely that landowners, deterred by development charges and other provisions of the Community Land Act, are sitting on their land until better – and more rewarding – times arrive?

According to another speaker – Alfred Wood, the County Planner for the West Midlands – a whole lot of land is held idle by the local authorities themselves. He urged them to release it, perhaps by using "Dutch auction" methods.

Wood's plea has the merit of recognising that planning, by itself, is incapable of putting a single square foot of land onto the market. Planning can prevent land being used. It can, as Baron accuses, delay development taking place, perhaps indefinitely.

But if circumstances make it prudent for owners to sit tight rather than offer their land for development, then no power of the planners can compel them to change their minds. When it comes to land supply, planning can do a first-class negative job; but it is powerless to do anything positive.

Yet as Baron so forcefully argued, without land, in the right places, coming onto the market, houses will continue to cost more than they should. As a result, mortgages will become even bigger millstones round the necks of young home-seekers and house-buying will become a feasible proposition only for the really rich.

So if planning cannot produce goods, what will? What is needed is a measure which will make it unprofitable for owners to hold valuable land out of use; a measure which, among other things, will eliminate the spectacle of valuable "waste-land" dominating the scene in city centres while the scarcity of land for building leads to the gobbling up of farmland on the outskirts.

The only measure that can be demonstrated, both in theory at home and in practice abroad, to meet such a requirement is the taxation of land values. With such an inducement influencing the supply of land, planners such as Wood and builders such as Baron would be able to pursue their callings without blaming each other for the scarcity of the end-product.

CENTENARY ESSAYS Nos. 1 & 2

Land Reform or Red Revolution

ECONOMIC SURPLUS AND THE
DYNAMICS OF
POLITICAL VIOLENCE

—by FRED HARRISON

Economic Answers to Ecological Problems

—by SEYMOUR RAUCH

Available from: Land & Liberty Press, 177 Vauxhall
Bridge Road, London SW1. £2.20 for No. 1, £1.75 for
No. 2, including postage.