

# The Sowers and the Reapers



*"It is manifest that with a rapidly increasing population, real estate values can go in only one direction—up."*

On the estate page of the *Sydney Morning Herald*, July 18, 1966, two pertinent articles on land appeared. Below is an extract from the first, entitled "A Dynamic Future in All Its Forms." It is written by S. F. N. Hickson, president, Real Estate Institute of N.S.W.

**L**AND, unlike manufactured goods, cannot be replaced, although it may, years later, be redeveloped. It is manifest, therefore, that with a rapidly increasing population, real estate values can go in only one direction—upwards.

It is possible that there may be recessions in the future, although it must be said that the authorities, political and statutory, who manipulate our economy, have gained in expertise and consequently in the ability to "even out the hills and hollows of over-all economic activity." However, even in the event of a recession, past experience shows that real estate values do not actually decline, apart from the relatively few forced sales. Rather the effect is for the volume of real estate transactions to diminish until the economy generally supports a return to sales at levels current at the point of interruption.

In the history of Australia basic real estate values have shown a consistent annual increment of something between five and ten per cent. These facts should serve to assure those people who are concerned at the recent fall in the number of approvals of applications to build, that this condition is only of a temporary nature and must soon be reversed.

Those who require their own home standing on its own parcel of land, as indeed they are entitled to do, are now buying land south of Sutherland, in the Blue Mountains, on the plains west of Blacktown and in the Hawkesbury Gorges and beyond to Gosford—and even in these districts, prices of home sites are high judged by prices of land in a then similar environment that was available a decade ago. The simple fact is that Sydney is running out of home sites within twenty miles of the city and under \$2,000 a lot (Australian dollars).

A leading real estate agent who has handled a number of properties in these areas recently said that house prices appear to have reached a peak at which they have stabilised—between \$11,000 and \$14,000, with rejuvenated property bringing up to \$20,000. He expects this rise in values ultimately to spread to Surry Hills, Moore Park, Redfern and Glebe.

Certainly the "Uptown Sydney" committee has worked hard in the past two years to draw attention to the op-

portunities that exist for redevelopment in this area, and it is to be expected that investors will take advantage of these opportunities soon.

The pattern of real estate activity in the metropolitan area is generally repeated throughout the State in the major centres. Discussions with members in other capital cities throughout the Commonwealth indicates that the position in Sydney is broadly similar to that elsewhere.

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The second article is by Dr. J. F. N. Murray, Life Fellow, Commonwealth Institute of Valuers, entitled "Land Values Reflect Nation's Economy," which we give in full.

**E**VERY PARCEL OF LAND has characteristics that distinguish it from others, and the supply of land suited to any particular purpose is limited by nature and further restricted by zoning and planning schemes.

It follows that movements in land values reflect the general economy of the nation. As far as rural lands are concerned their values may depend to a great extent upon the maintenance of markets overseas for primary products such as wool, wheat and sugar. Urban and suburban land values depend upon local demand, and marked increases in land prices are indicative not only of an expanding economy but also of changes in use.

During the past decade or so the expansion of cities and towns in Australia has been so great that in the space of a few months open paddocks have been transformed into factory sites or built-up residential areas complete with all amenities.

In the majority of Australian States both the unimproved and improved value of lands are ascertained from time to time for purposes of rating and land taxation. The total improved values at each succeeding appraisal are increased not only by variation in the land value but also by the costs of new buildings erected since the last valuation date.

Thus the variations in improved values indicate not only increases in land prices but record injections of capital, in the shape of new buildings, into the economy. On the other hand unimproved values reflect the increases brought about by community effort, such as the provision of services and amenities, and also include the increases brought about by changed use of land.

Apart from the alteration in land values due to the fall in the purchasing price of the pound, urban land values