

City Land Values and Town Planning

[By kind permission of the editor of THE STATIST we reprint these extracts from a recent signed article by a chartered surveyor. Crossheads are ours.]

When a valuer speaks of land he may be using the word to describe an open field, or a bare site, or he may be using it in a more legalistic sense to embrace not only the field or site, but also the buildings and trees thereon, the rights, duties and privileges which attach thereto, and the freehold and leasehold ownerships which can subsist therein. It is the latter more comprehensive use of the word to which the title refers, and this, when applied to the City of London comprises a "square mile" of intensive land use, of high density building interspersed with wide areas of war-damaged ruins, and also by roads, railways, open spaces, etc. Within this "square mile" are housed innumerable thriving businesses often grouped or loosely scattered around one of the many trade centres or markets.

These businesses, many of which form national or international centres, have become established in the City for a variety of reasons and have produced a unique area of very high land values unequalled elsewhere in the country. Nevertheless, from a valuer's viewpoint, the City is an area of great contrasts with, for example, the capital values of sites varying from about £1 to well over £50 a square foot and with annual rental values for accommodation in the buildings showing similar variations.

Some Factors that Affect Land Values

It seems rather superfluous to point out to readers of *The Statist* that these values are brought about by the economic forces of supply and demand and that around prosperous markets, such as the Stock Exchange or Lloyds, values are at their highest, that remote from markets or where a market or centre is declining in importance the values will be considerably lower. Or, expressing this in another way, where large profits can be made high prices are paid for the strictly limited available accommodation (or sites on which such accommodation can be provided). Generally speaking, the higher the profits the higher the cost of the land and *vice versa*, but there are in addition many other contributing factors. Thus, for example, in the case of the Billingsgate Market area, the market is a prosperous one but by reason of the effluvia arising therefrom nobody except persons connected with the trade will willingly take premises there. The fish trade, therefore, has the area largely to itself, and the lack of competition results in some peculiarly low values on upper floors.

So far this article has dealt in very general terms with the main factor affecting commercial land values—that of markets; there are many others, some of the principal ones being briefly set out in the following table.

HIGH VALUES	LOW VALUES
(1) Peace.	(1) War or threat of war.
(2) Expanding national economy.	(2) Contracting national economy.
(3) Stimulating legislation.	(3) Onerous legislation.
(4) Immigration of businesses to the City.	(4) Emigration of businesses from the City.
(5) Increase of population in hinterland.	(5) Decrease of population in hinterland.
(6) Situated close to prosperous markets.	(6) Situation remote from prosperous markets.
(7) Well-known address.	(7) Unfamiliar address.
(8) Prestige and advertisement value of the position.	(8) Lack of prestige, etc., value of the position.

- | | |
|---|--|
| (9) Good road access and layout. | (9) Congested access and poor layout. |
| (10) Surrounding properties modern and well designed. | (10) Surrounding properties old, and poorly maintained. |
| (11) Trade requires only small floor area to achieve high turnover. | (11) Trade requires large floor area to achieve relatively low turnover. |

There are, of course, many other factors affecting particular types of property.

"Town Planning," by disturbing or strengthening these various factors affects land values and for the reason that in the City values are high, the effects are correspondingly magnified . . .

"Use Control"

The purpose of the present article is to examine in detail some of the facets of the present planning system directly concerned with replanning, control of development and execution of works in the City. In this context the following matters will be considered—use control, height and density control, layout control and the use of larger units for development, licensing and programming, designation for compulsory purchase, and, finally, road widening and improvement schemes.

The purpose of "use control" is to prevent the indiscriminate use of land, and, to attain this end, the uses to which an owner can turn his piece of land are restricted within a fairly narrow compass . . . On the City plan there are, for practical purposes, only two types of use zone—"office" and "commercial," the latter covering warehouses and also office use. These zoning proposals have been designed to increase the solely office area compared with 1939, at the expense of the warehouse and industrial areas, as part of a more general plan to disperse industry from central London . . .

"Plot Ratio"

Of far more immediate effect on values, especially on site values, is the control of the height and density of building. Density control is effected by what is known as "plot ratio," *i.e.*, the ratio that the floor space of a new building may bear to its site area is limited and may not be exceeded. Height is controlled mainly by the London Building Acts or indirectly by limitations imposed to ensure good natural daylighting to offices. In special cases such as in the proximity of St. Paul's additional restrictions are imposed.

The ways in which this dual control has its effect on values are tabulated below:—

- (1) Height and density control will have an adverse effect on site values only where the control limits the building to a size less than it would be economic for the developer to build.
- (2) Height control only affects values independently where it restricts building bulk to less than would be permissible under density control.
- (3) Density control will tend to spread offices over a larger area than would otherwise be the case and land values will tend to be more evenly distributed. Values in what would have been the densest areas will be reduced and values in outlying areas increased.
- (4) Rental and capital values of already existing buildings in sought-after positions will be enhanced as the supply of future accommodation in the right place will be limited by the density control proposals.
- (5) For a number of businesses, personal attendance at a market is necessary, *e.g.*, Stock Exchange, Lloyd's and Baltic Exchange, and time is saved if these businesses are housed in buildings very close to the appropriate market. It is usual therefore to find values progressively less the farther the

premises are from the market. If a sufficient bulk of space cannot be concentrated near these markets because of the present regulations, efficiency is impeded and in the long run values will suffer.

(6) A look at the other side of the picture—the reasons for applying these controls, apart from aesthetic questions, are

- (a) strategic, in order to prevent too huge a concentration of building as a target for air attack.
- (b) to prevent congestion of building and road traffic, and
- (c) to prevent too great a strain being placed on the transport system carrying workers to and from the City.

Therefore, were these controls to be abandoned, it is probable that factors 6 (b) and (c) would eventually operate as a curb on values. Theoretically the net result is that the controls depress the values of individual sites whilst preventing overcrowding and congestion, depressing City values as a whole. In practice we shall never know the whole answer as density control at least seems to be here to stay.

The third of these groups of controls, that is those affecting layout of buildings, is probably the most technical as it involves aesthetic and architectural problems, questions of access, and also the daylighting of buildings. Control over these aspects of development can effect the values of sites, and the buildings ultimately on them both favourably and otherwise. On the credit side the control assists in assuring larger and more conveniently shaped sites on which to build, by providing easier access to buildings resultant upon the car parking and loading bays required by the planning authorities, and finally by the daylighting code which will ensure better natural lighting to offices. On the debit side there is the uneconomic cost to individual developers of providing car parking accommodation in office buildings and loading facilities in commercial buildings, likewise the daylighting code may adversely affect the value of sites by reducing further the size of a proposed building below that otherwise permissible under the density control regulations . . .

The Value of a Good Address

A single large site has several advantages over a number of small ones comprising the same piece of land, the most obvious being the more rational design of the buildings which is possible, the elimination of party walls, the grouping of lifts and staircases and the simpler internal planning. A further not so immediately apparent effect is that the values of offices upon the site will tend to be evened out and improved other things being equal. To explain this it must be appreciated that rental values within one floor in a modern building do not vary widely except that there is a slight psychological preference for front offices and for those having the best natural lighting. In addition, if the site has a number of frontages, one of which is to a well-known thoroughfare, the better address of the main street can be given to the whole development . . .

*

Licensing until recently constituted a serious drag on site values, due to the fact that capital might be tied up in the site for an indefinite period before actual building operations could begin. With the final discarding of licensing, site values have appreciated considerably as is evidenced by the terms of the recent disposal of Cheapside sites by the City Corporation . . .

*

Generally under the 1947 Town and Country Planning Act, planning authorities can only designate land on the development plan as being liable to compulsory acquisition if the purchase is probable within the next 10 years. However,

in the City, where extensively war-damaged areas were scheduled as "declaratory areas" under the 1944 Town and Country Planning Act, properties within those areas appear to be perpetually liable to compulsory purchase!

The Threat of Compulsory Purchase

The fact that a property is liable to compulsory acquisition has an unsettling effect both on occupiers and owners. Occupiers in fear of future disturbance start seeking alternative accommodation, and owners denied the choice of date for placing the property on the market and in face of the present unsatisfactory code for assessing compensation are in a rather unenviable position. Added to this if the owner is an investor he has the extra expense of reinvesting capital. The net result is to reduce the price the owner can obtain for his property in the open market.

Whilst they are in the proposal stage, road widening and road improvement schemes have rather similar effects on values as designation for much the same reasons. When later the proposals are carried into effect, they should eventually, by easing traffic conditions, bring an overall improvement in values. Further, in some cases the widening of a road or the construction of a new one may bring about an improvement of land values along the improved or new frontage . . .

Cost of Widening City Streets

This article would be incomplete if it did not at this stage deal with the compensation paid to site owners for strips of land taken for road widening. Owners are by statute entitled to be compensated for this land at "existing use" value, but a considerable number of cases are on record where the land has been purchased by the Corporation for a nominal 10s., planning concessions having been given on the remainder of the site. These surrenders have been by no means trivial, ranging up to 7,500 square feet in a single case, and apparently indicate that many owners are unable to resist the conclusion that, with the concessions (usually in plot ratio), the site minus the strip is no less valuable than the complete site. There are, however, two provisos to this argument, firstly that before the imposition of the present town planning control under the 1947 Act, plot ratio and many of the other regulations did not exist and the reduced site most certainly would have been depleted in value. A pre-war case proving this point involved the taking of a strip of land in Leadenhall Street at a cost to the City Corporation of about £90 per square foot. The second proviso is that many of the cases come within areas scheduled for redevelopment under the 1944 Act and, if the Corporation ultimately so decide, are subject to compulsory purchase. Hence the Corporation have a considerable bargaining advantage in that, if a developer refuses a sale at a nominal price, they can purchase the whole site and let it on building lease minus the strip. The owner thus would be deprived of his freehold with the possibility of being outbid when the site came to be let, and would be paid compensation only at "existing use" value which might be well below market value.

In short the City Corporation use their strong position to balance equation:—Reduced site plus concessions plus retained freehold equals original site. There can be little doubt that this aspect of redevelopment contributes materially to the drag that planning has on site values.

From these articles it will be seen that town planning is not an unmixed blessing. At the present time in return for other advantages it constitutes a considerable drag on land values . . .