



An Expert Shows How

METHODOLOGY OF LARGE-SCALE VALUATION

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AS AN introduction to a review of this extremely valuable and competent paper presented by Bryan Anstey at the Brighton Rating Conference in September, we cannot do better than quote the synopsis:

"The author regrets the absence in this country of published statistics which show the distribution pattern and total capital value of land values, including development value.

"Large-scale valuations mean coverage of a wide area, the inclusion of many types of landed property, a large total of value and a purpose which is mainly general, the last being crucial for it ensures new knowledge as to certain totals, patterns of distribution and trends of change, useful for purposes of administration, sociology, planning, revenue and economics.

"Methodology of such large-scale valuations is considered under three headings: (i) aggregating separate values of each property concerned, (ii) detailed valuations of samples, and (iii) deductions from data, estimates, assumptions and analyses.

"The cost and effort involved in most valuations arises from the relative need for detail, precision and the individual nature of each separate valuation. Detail can often be eliminated by the expert; it can sometimes be safely left to the less skilled if initial guidance is sound. The application of top skills to sampling and averaging can, he claims, lead to economies if properly done.

"He includes outline sketch of an estimate of the landed property value in the United Kingdom, and he discusses land-value maps and large-scale valuations elsewhere, both very interesting sections of his paper.

"If we accept that organisation and method are normally to be expected administratively with any large-scale valuation in this country, it may be felt that there could still be room for a profitable blending of the arts of statistician and valuer in the overall technical planning."

Whilst not an advocate of the taxation of land values (in his opinion that is a totally different subject), Mr. Anstey does manage to reduce to practical terms the problems involved in a large-scale valuation, successfully refuting those critics who claim such projects are impossible or impracticable.

Apart from lamenting the dearth of information concerning landed property values or land values in this country, plus the absence of any estimate of their total capital value, he regrets that there is no body or institution capable of supplying such information. This compares unfavourably with the situation abroad. He is convinced

that an overall picture can be obtained more easily than is supposed and, further, considers it unwise to wait until the necessity of making a large-scale valuation for a particular purpose "has reached the stage of urgent application." (It is of course open to question whether the urgency to which he refers is the same as ours.)

As a good economist, he lays much stress upon careful terminology and reminds us that "care in the use of terms is not an outstanding characteristic even of professionals in this subject, whilst an alarming state of confusion of terms, as well as of ideas, is the manifest condition of almost all laymen and politicians — and the more vociferous the more confused." Without listing all his excellent definitions it is necessary to give his interpretation of land value, which he describes as "the value of the freehold of bare land, whether vacant urban site, or developed urban site, whether ancient moorland grazing, or lowland enriched by four hundred years of cultivation."

A further definition concerning the word "value" leads him to regard the value of land as "the power that land has to serve the needs of men," and market value as "an expression in money terms of men's estimation of the power the land has to serve their needs by comparison with other things upon which they could spend their money." This is followed by the statement that when the price of land appears to be high it represents a realisation by men of the primary power of land to serve their physical and social needs, and that this is healthy and a sign of confidence in the future. We must hope that he is not here including high land prices caused by speculation.

Turning to the main theme of his paper, he interprets "large-scale" as "coverage of a wide area" and including "many types of landed property." The uses of such a valuation are secondary to the knowledge acquired and this, he rightly says, is true of all new knowledge.

The apparent size of the task does not deter Mr. Anstey in the least; his confidence being based to some extent upon his own experiences. A large-scale valuation, he feels, is possible for two reasons: organisation and methods can be applied, and a useful accurate general total can be obtained without necessarily disclosing a single specific valuation.

With regard to methods, he considers there are three approaches to the problem, the aggregational, the extrapolative and the deductive, and as he enlightens us further we find that these terms refer to simple procedure.

The first method, the aggregational, means listing the value of every property in a particular area and adding up the totals. (The Domesday Book type of valuation.)

A second method, the extrapolative, means the detailed valuation of a sample, an estimation of the sample to the bulk, and extrapolation (calculation) by multiplication. In this case samples might be groups of three-bedroomed houses, shops, factories, or even the price per foot of office floor-space. By these two methods alone he claims it is possible to value the whole of the landed property in Britain.

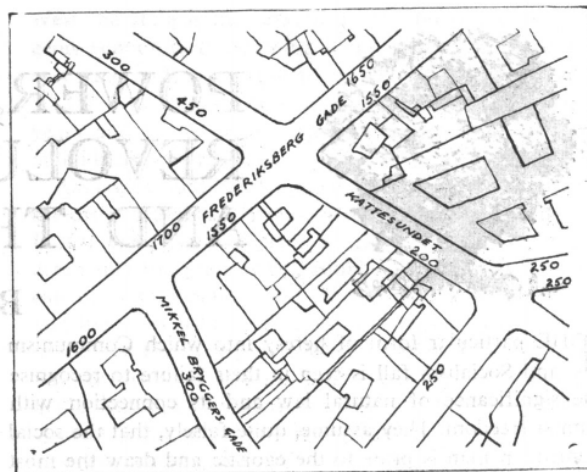
The third method, the deductive, means the basing of a valuation upon estimates, assumptions and analyses. (Here he notes that deduction enters into all valuation.) Publications, such as the Ministry of Housing and Local Government's Rates and Rateable Values in England and Wales, already give much information.

These three methods, explains Mr. Anstey, overlap each other and thus a combination of all three is likely to be the most fruitful. He says: "Data might be collected (perhaps from a sample of persons), of the value of landed property each person, or each family unit owned (or both) and the general value-ownership pattern of certain classes to be deduced. . . . Again, a land valuation might be effected in detail of an area, coupled with a property valuation, thence a relationship pattern might be deduced linking property value to land value, a sort of ground rent cover index. If this were shown to be typical for a sufficiently large sample of areas then extrapolation might be effected from a representative sample of land (valued in detail and aggregated) to the landed property value of the whole bulk."

Nowhere is Mr. Anstey more convincing concerning the basic simplicity of valuation than in his own published estimate of the value of the landed property of the United Kingdom, which he has made almost by pure deduction from estimates. *He warns that the figures have not been checked and should not be relied on, and that they do not pretend to be accurate.* None the less they make interesting reading. In the estimate the total value of all the landed property in the U.K. is £57,000 millions, the value of all the land is £15,000 millions, and the value of the agricultural land is £1,500 millions. Although it would take too much space to list them in detail, his general concepts for these estimates are fascinating. Mr. Anstey thus establishes his main point regarding the practicability of large-scale valuation.

He is conscious of the achievements in other countries in this connection and refers to "Statistik der Stadt Zurich" Heft 53, a survey containing tables and analyses of different grades of land in Zurich, split up into city, inner and outer districts and giving land prices per square metre.

He comments upon a paper submitted to the Ninth International conference on Land Value Taxation and Free Trade at St. Andrews, Scotland, in August, 1955, by



Mr. K. J. Kristensen, which gives details of the periodic valuations that are made in Denmark.

He refers to a section of the Copenhagen Land Value map, originally published together with a short article as a supplement to LAND & LIBERTY February 1955. And he turns to LAND & LIBERTY again when mentioning *A Land Values Classic*, an article reprinted in November 1960, giving an account of a land valuation of Budapest. This article is quoted to the effect that the work of valuation was carried out with a very small staff, at very little cost, and in a very short time. (In his paper, Mr. Anstey emphasises that much of the work involved in a large-scale valuation can be tackled by comparatively junior and inexperienced staff.)

The Land Values Research Group in Australia he describes as a "powerful, intelligent and active group." Their booklet *A Study of the Effects of Local Government Rating Systems upon the Social and Economic Development of the Australian States*, and their study of Fitzroy — *Reclamation of an Industrial Suburb*, he found a little hard to follow. One of the reasons he gives for this is that they contained a larger element of argument than of estimation or statistical assessment and refers to one of their examples as "almost emotional."

He praises *The Building : Land-Ratio* by Dr. David B. Ascher, published by the LAND & LIBERTY PRESS LTD., and caps Dr. Ascher's statement that not everybody is a Henry George with "some of us might be tempted to add a pious word of thanks." However, he is much impressed by Dr. Ascher's figures and methods of land valuation.

Finally, he refers to *Economic Impacts of Highway Development upon Land Use and Value*, a document published by the University of Minnesota in September, 1958.

The places mentioned in the publications to which he has referred do not exhaust the list of States which undertake large-scale valuation. He mentions Chicago, Canada and New Zealand.

Mr. Anstey has made a timely contribution by bringing to the notice of those concerned the fact that large-scale valuations are not only possible, but desirable.