

DEGREE OF CONSTRAINTS ON CONSTRUCTION

	Major	Minor	No current problem
Mortgage availability	2%	15%	83%
Labour availability	21%	45%	35%
Materials availability	8%	51%	42%
Lack of purchaser confidence	4%	24%	73%
Delays/chains "down the line"	16%	60%	23%
Inadequate supply of land to meet demand	65%	20%	14%
Purchasers' inability to pay house prices irrespective of land availability	6%	49%	45%

NOTE: Percentage figures may not add due to rounding

Greenfields botch - up

By IAN BARRON

A PLAN to capture the profits from new development has been proposed by Peter Hall, an influential British geographer. The Treasury, he says, should auction development rights to greenfield sites. This would prevent developers and landowners from amassing "huge speculative gains" from the construction of new towns in the booming housing market in the South-East.

Prof. Hall unveiled his plan at a lecture given at the Royal Society of Arts on January 6. He proposed:

- A regional planning commission, charged with identifying inner city areas for revitalisation and greenfield sites on which new towns could be developed.
- Auctions, conducted by the Treasury, of greenfield development rights in the form of development bonds - and a market in which the bonds could be traded.

Prof. Hall said the scheme would provide a "once-for-all payment on the development value of land, justified by the fact that this is a clear case where public action has created the betterment. It might provide a way of breaking the log-jam on development in the south-east." The auction system would also prevent developers from making "a huge speculative gain" on top of their normal profits.

Ian Barron writes: This is a classic rehash of postwar Labour

Party plans for capturing unearned income from land. There have been three attempts by British socialist governments to prevent landowners and developers from cashing in on the enormous increase in land prices arising from the grant of planning permission. Each attempt ended in failure, because the schemes were misconceived.

If they were adopted, landowners would withhold their land from the market. This would simply aggravate an already difficult situation for builders.

The table above shows that an inadequate supply of land was the major constraint on construction in Britain last October - the 65% figure was an increase in the findings of the House Builders Federation state of trade enquiry last July.

Confronted by Peter Hall's scheme, landowners would sit tight and wait for the next Conservative government to kill the law that required the auction of development rights.

The market in development bonds would also cause a botch-up for builders and home-seeking families. For if the full market price was paid at the auction, the bond owners would have to wait for some years before the rise in land prices justified the resale of the bond at a profit.

NOW FOR SOME EXCITEMENT?

THE PROPERTY market is one of the worst documented sectors in the economy, being fragmented, poorly based and unrelated to the needs of economists who are supposed to predict trends. In Britain, for example, 20 years ago there were only two sources of data on house prices; now there are about 20, but you have to search to find them.

*Spon's House Price Data Book** pulls all the information together in a compact form, but at a price that will restrict access to researchers in university libraries. Although it was compiled by Professor M.C. Fleming and Mr. J.G. Ellis, who have written extensively on the housing market, the

book is disappointingly short of an analytical interpretation of the data.

We get nearly 400 pages of statistics, but just two pages describing the price trends between 1946 and 1986. There is no theoretical framework which would help us to understand why prices shot off into the stratosphere in 1970 and 1977 - or the macro-economic implications of these two events. Still, it is worthwhile having the compilation. Now we need another book to make sense of the data. An exciting story must lie beneath the statistics.

*M.C. Fleming and J.G. Mellis, *Spon's House Price Data Book*, London: E. & F.N. Spon, £29.50.