

Challenge to economists

IN BRITAIN the only reliable, regular index is for farmland prices, published quarterly by the Department of Agriculture.

Data on housing land prices is published in index form by the Department of the Environment, but with a time lag of a year: this reduces its value to forecasters.

Yet there is no excuse for the paucity of data, for the Inland Revenue has a nationwide network of District Valuers who are qualified to supply up-to-the-minute information on trends in the property market.

A valuation department was set up by the national taxing authority after the Liberal Government decided to pass a law to levy duties on land in 1909.

Nothing came of those duties, but valuers were retained in government service.

Today, they could provide an independent view of the condition of the property market that would out-ride the service provided by private real estate firms.

A step in the right direction was taken in 1983, when the valuation office published its Property Market Report.

Why have an independent assessment of values? One reason was offered by *Estate Times* on Nov. 11, 1983:

"It has been curious that over the past few years, while the recession has been depressing just about everything else, property values have remained remarkably buoyant.

"A cynic would have argued that there has been a conspiracy of talking up the market."

There is, indeed, a vested interest in making optimistic noises about the yields to be obtained from property. Said *Estate Times*:

"As long as there is a vested interest on the part of, particularly, the pension funds to keep property values as high as possible, there will always be someone who will express a view which will support their beliefs to the general public.

"Fortunately we now have the Inland Revenue report to provide a long stop-check on any outrageous claims."

Until then, the Inland Revenue published an "appreciation" of the property market, but this was of little value. It was published on an annual basis, as an appendix to the report of

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Part 3: UNITED KINGDOM

the Valuation Office; and it contained little hard information by way of prices and rents.

The Property Market Report, however, published in London by Surveyors Publications, is based on six-monthly data. The value of

By Ian Barron
in London

various categories of land are given, which in time can be built up into a useful series.

MEANWHILE, the private sector has struck back.

The four largest estate agencies in Britain have just completed a pilot study into a new property index.

Iain Reid, a research partner at the firm of Richard Ellis, told *Land and Liberty*: "We expect to publish a quarterly index. There is little point in producing an annual index. People want to see what's happening much more frequently – and fast enough after the event.

"There's no property equivalent to the Financial Times All-Share Index. The FT shows how the market is reacting on a short-term basis. You can't get down to a day-by-day thing

for property, but as a start we want to go quarterly."

The new index will monitor trends in both income and capital growth. But will it lead to more investment in property? "More and more reliable information will lead to greater confidence in the market," says Mr. Reid.

One of the difficulties is that the new index will not separate land from capital improvements upon it. This does not pose a problem, in Mr. Reid's view:

"Any growth in property values attaches to the land," he said. "The buildings are only a matter of what it costs to put them there, plus the effects of lease terms on the investment.

"But basically you are talking about an enhanced land value.

"Somebody investing in a property long term is actually investing primarily in the site. Every property is a development proposition."

The British Government will not underwrite the collection of information to construct a reliable land price index until it has been persuaded that there are serious policy implications to justify the cost.

It is therefore incumbent on professional economists – both in Whitehall and the universities – to explore the impact of the land market. A qualitative assessment would soon reveal chasms in the knowledge on which politicians have relied for administering their policies.

Chasms which, until now, they have only been able to bridge with the political equivalents of Indian rope tricks.

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THE POWER IN THE LAND by Fred Harrison. The author has re-examined the tenets of industrial society and maintains that the present impasse is the result of a distortion in our understanding of how the industrial economy works – a distortion he traces back to Adam Smith.

He explains how the land factor produces the boom-slump cycle and impinges on almost every aspect of the modern economy.

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