

A VALID INDICTMENT

(WITH LESS VALID CONCLUSIONS)

Nichols & Bilitch

A SYMBOL of latter-day affluence and a personal monument to one of the breed of post-war millionaires who have acquired a fortune from the property boom of the 60's, stands at the juncture where Oxford Street and Tottenham Court Road meet in London's West End. Known as Centre Point, its stark empty presence is a daily embarrassment to the friends of free enterprise and the supporters of a property owner's democracy. To the enemies of such conceptions of human rights it stands as a provocation in glass and concrete, a piece of three-dimensional evidence irrefutably proving their contention that capitalism invariably benefits the few to the detriment of the many.

That a large modern office block sited in the middle of one of the world's busiest commercial centres should remain permanently empty - and not the only one, by any means - while adjacent office space is currently fetching all time record rents, must, to the simplest of minds, appear crazy. They are right, it is! In almost any other commercial enterprise a surfeit of goods and/or services would lead to a slackening off by producers until such time as demand had caught up; but where property is concerned it would appear that the natural laws of supply and demand are somehow outside the ordinary workings of economic law.

Despite the presence of numerous modern and spacious office blocks dotted about inner and central London awaiting tenants, more and more commercial development continues with the expectation of higher and higher rents. It would seem to the innocent observer that the wages of sin, far from being death, is a high rental income above and beyond the wildest dreams of avarice. How has it all happened, and why for so long?

According to the authors of a recent publication described as an "Anti-Report on the Property Developers" carrying the title *The Recurrent Crisis of London**, "New office accommodation for a clerk in Central London now costs more than his wages, as rates, insurance and running costs must all be paid in addition to the rent." This being the case, the chance that the poor fellow might find a home to rent (let alone purchase) nearby is, to say the least, improbable. Such domestic accommodation as exists in Central London

falls into one of three categories: subsidized council flats with an endless waiting list of would-be tenants; luxury apartments for the well-heeled at premiums plus rents; and acres of rent-controlled slums under constant siege by eager landlords and developers, who see a fortune in further office development, multi-storey car parks, supermarkets, large retail stores and other types of commercial premises, the planners willing. Here and there will appear a high rise block of luxury flats at luxury prices, where a penthouse flat will be offered by way of a modest lease at a not so modest £100,000 plus an annual service and maintenance charge commensurate with the rental value of the premises. If you are lucky a new council flat with all modern conveniences to hand might come your way, with the less lucky rate-payer paying a large part of your rent. This residence will include a parking space for your Jaguar which you are deemed able to afford, if not the market rent.

It is not only the citizen of modest means who suffers from the effects of ever-increasing rents being demanded for office and other kinds of commercial premises. As the authors of the aforementioned publication have correctly observed:

"Faced with office rents of this order, the occupier has three 'choices': pay up, close down or relocate to cheaper and invariably decentralised accommodation, despite the expense and disruption that this causes. It is those companies with little scope for increasing revenue that are worst hit, and within them, those to which a central location is vital that are most likely to be forced to close down."

From the "report" we are informed that London leads the world in the office rent league as the following table shows.

Approximate rent per square foot for first class office space:

London (City)	£10
London (West End)	£8½
Paris	£8
Brussels	£2½
Amsterdam	£2½
Frankfurt	£3½
New York	£4

In a more rational economic setting where supply and demand were in harmony and inflation under firm

* Counter Information Services. Price 60p.

control, property development would be seen as a reflection of the general increase in prosperity, providing a good livelihood for worker, entrepreneur and consumer, but what we find is, "While land and property prices have soared, capital investment has continued to decline." As our "anti-reporters" go on to say, "In the first three quarters of 1972, while the property boom was in full swing, capital expenditure by manufacturing industry has fallen by 11 per cent from the levels of 1971."

One of the most telling points made by the "anti-report" is that "... high rents and resultant values are reflected in *high land values* (my italics) and property prices, especially the former, as building costs are a comparatively small part of the total value of an office." They then go on to state what many of us have always known.

"To a large extent essential services are financed from public funds, i.e. from the rates and taxes, so once again a large part of the cost is paid by the public. Ironically, they are paying for the very things that make London so attractive for commerce - the communications and transport systems, education, hospitals, etc. - yet in return, under the system of private land ownership, the cost of securing space for these services is constantly inflated." What price land-value taxation? Why not tax land values up to their full rental value? The authors appear to have either overlooked this most obvious and most elegant of solutions, or perhaps have a natural predilection for the time-honoured panacea of socialist nostrums, i.e. political controls. What cannot be controlled, nationalise, or in a more polite political euphemism, take into public ownership, the more is the pity, as the authors see clearly the pattern whereby escalating property values continue, but fail to appreciate the workings of economic law which under our system of land tenure operate to the benefit of the landowners and invariably against the best interest of every other citizen, whether he be a worker or a capitalist - and often he is both.

Those who followed the unsavoury details bandied about at the Poulson bankruptcy hearings, are hardly likely to be impressed with the suggestion that governments (local or national) are necessarily the best custodians of the public interest when it comes to providing decent homes and other social amenities for the citizen.

Had land-value taxation been fully operative, all of Central London's prestigious, but as yet empty, office blocks would by now have tenants, and with rent control consigned to the dustbin, property developers would be busily engaged in erecting good homes that all could afford, not to mention the building of more much-needed hospitals, schools, theatres, etc.