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Valuation in Retrospect

APPROACHING the end of a long career, I look back to my efforts as a young man in an estate office before the first war, in selling building sites, land covered with buildings, accommodation and market-garden lands, etc., mostly in the suburbs of London. In those days there was much open land, including farms, in the county of London itself, and far greater areas, of course, in the surrounding Home Counties. One method applied to them all. First decide on the best (the most profitable) use; then assess all the costs of building. (In those days architects did not often come into the picture; they got their work from building owners who were willing to pay more to have their buildings made to look beautiful.) When you had worked out these costs, you had an idea of the financial magnitude of the proposition. This seemed then to be much more important than it does at present, for in those days it was not unusual to see terraces of shops and sometimes streets of houses, newly built in anticipation of good prices or of a sound investment and a good saleable security, remain a drug on the market. New properties could stay empty waiting for purchasers for five or ten years, the shops eventually being divided into two lock-ups and the upper parts and the houses into two flats in order to get an income started. When you sat in your office with the plans before you to work out the total value on the basis of what you saw happening around you, from that value you merely deducted the costs, and the balance was the value of the land.

Vacant Sites

You found the value of a vacant site in a much built-up area by that method. Where a large estate was to be sold off in many plots, you could decide values by direct comparison after sales had got started, and when a site in a city street sells for half a million it will seem a reasonable assumption that a similar site similarly well placed will be worth that price also. Other sites less or more by comparison. Out of these circumstances arises a pattern of values rather like pictures which consist of patches which must be filled in with colour to form the picture.

Developed Sites

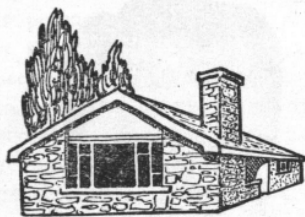
Every piece of land has its right to be represented and can be given a value if it is available for the market. The total value there is in two parts, viz. (1) the value of the land, and (2) the value of the buildings and such

Some Comments on Land Value

other improvements as may go with it to fit it to command its value. The value of the buildings and improvements consists of costs kept down by competition or by a ready fixed market value (like the price of bricks), and it is capable of independent assessment. The value of the land only is the remainder of the market price of the whole, and it is not capable of assessment independently of the question of the use that can be made of it and of the costs of making it fit for that use. The expertise of the land valuer consists in his ability to decide with shrewdness and certainty the most profitable, the most valuable, the best use to which it can be put (in this connection these are interchangeable terms). It is this interrelation and interdependence that confuse the layman and, contrary to what the layman will and does readily suppose, it is the price of the land which is the overmastering consideration.

Land for Use or for Speculation

A purchaser of land which he intends to develop for his own use afterwards will, if he cannot do better, be agreeable to pay the full value of the land arrived at by the foregoing method, and follow that up with the development he contemplated, and be satisfied in the result to draw for himself out of the reward arising from the uses to which he puts it the foreseen rate of interest. The speculative developer however will want to share in the land value or he will get nothing. As he usually buys up the large areas that farm lands represent, he can afford to give the farmer what the farmer will think a very good price, and still make a very good bargain for himself, because his profit will consist of several times the price he paid the farmer when he has covered the ground with buildings. A smaller builder coming along afterwards and buying up remnants of land for smaller operations at greatly enhanced values will find himself working for a beggarly reward and perhaps go bankrupt in the result. In a country district where land is held tightly by the big proprietors, a tiny remnant of land suitable for a cottage will not sell for agricultural price, but for the price of suburban land. A building erected on a valuable city site would, other things being equal, cost the same erected on any other site, however different its value. All the profits of development are profits on the resale of the land. Given a valuer who can assess with certainty the best use of a piece of land, and its value when fitted for that use, then to find the value



of the land is merely a matter of arithmetic, and obviously this is true whether the land lies bare or is covered with buildings.

To those who do not pursue the matter right through to the end, the foregoing would seem to show the large-scale developer as making by his foresight, his plans and his development the difference in value between that of a farm and that of the land of a developed estate. But the large-scale developer is not the final customer. He is only a middle man. It is surely those who confirm all the hopes and actions of the developer by buying the houses, building the roads for which they pay and then, most important of all, service the roads by cleaning and repairing, lighting, draining and sewerage, etc. serving in the shops, delivering the letters etc. All of these are making land value. Some more than others? Who can tell? They all do their work and get paid out. The land value is made by those who come there to live and keep it going. This last is all-important. As all who partake in it take their pay, including the borough engineer, the town clerk and the developer, the land value is something they who make it are quite unable to appropriate. It arises like the scent of a flower garden. The florist may get all he is entitled to in the sale of his blooms, but he cannot charge for the scent that wanders away on the soft air, nor even for the sight they make. These would only add to the advantages of adjoining land. Because land value has to be maintained by costly and arduous and faithful labours, not only by council men of course, but by everyone in the community concerned, the land value is a fund most wonderfully appropriate to be charged with the public costs of maintaining it.

THE LIBERALS AND LIBERALISM

THE young man or woman in search of a political ideal in Britain today might well pause long enough to take in Donald Wade's persuasive pamphlet* on the aims and ideals of the Liberal Party. He, or she, could not fail to be impressed by the blood-stirring exposition of liberalism as a political philosophy and the story of the Liberal Party's record as a reform movement in the hundred years since its foundation in 1832, during which it held office for a total of 49 years.

"Liberalism," says Mr. Wade, "has been the pioneer of liberty," and he follows this with an outline of the

* *Our Aim And Purpose*, by Donald Wade, M.P. Published by the Liberal Party, 1s.

meaning of liberty — personal, political and economic — calculated to fire our young inquirer with a very wholesome enthusiasm.

So far, so good. What a pity, therefore, that the inspiration that flows through the first few pages seeps away through the rest of this very presentable little publication like the waters of a central Australian river into the desert sands. On page 8, for instance, we are told: "Privilege is inconsistent with true freedom," yet one searches in vain for any clear-cut statement indicating either understanding of the basic source of privilege or of the way to eliminate it. Under the heading "Land and the Community" one reads this: "Land is unlike any other commodity (*sic*). Shortage does not bring about an increase in supply." Then one's hopes are shattered by this: "Liberals acknowledge that there is no simple remedy" (for land monopoly and speculation). "An annual tax or rate should be imposed on site values as an encouragement to develop vacant or under-developed land." Fine, but vague, sentiments showing that the problem is only half-understood — proved conclusively by the following references to the need for "imaginative planning" and "inducements to industries and other sources of employment to move away from over-populated areas."

On page 7 we read: "The standard of living will rise more rapidly if there is the minimum of restraint on the exchange of goods and services between one country and another." Yet on page 9 we learn of the Liberals' "consistent advocacy of Britain's joining the European Common Market." The consistent inconsistency between this attitude and the Free Trade philosophy of the great founders of liberalism seems to have quite escaped Mr. Wade, as it has Mr. Grimond and all the young Knights of this New Crusade. Which is a great pity. If the weight of intelligence and enthusiasm in the ranks of the resuscitated Liberal Party were applied to the single purpose of correcting the basic economic evil of our society — land monopoly and the privileges that spring from it — they could justly repudiate the charge of being without a clear-cut and true liberal policy.

Mr. Wade might well reflect on the closing line of a contributor's article in the last issue of this journal, on the subject of John Stuart Mill's "Representative Government": "The puzzle is why the Liberal Party refuses to learn from its own history."

FIAT MONEY INFLATION IN FRANCE

By Andrew Dickson White. Crystal-clear, devoid of sophistry, this painstaking account by an eminent historian and statesman (1832-1912) of the cause and mechanics of monetary inflation in revolutionary France and of the material and moral havoc it wrought, is invaluable to the student of the prevailing inflation in the Western World. Published in the U.S.A. 770 pages. 4s.