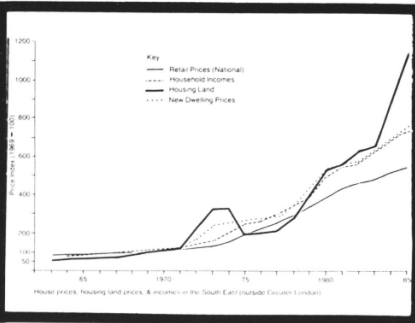


Land prices key to home shortages



A NEW study of land prices in the South East of England has shown that they have increased much faster than incomes, retail prices and house prices, demonstrating that "land availability is becoming an increasing problem". The study also shows that the situation of first time buyers has been getting more difficult as they can only "afford smaller dwellings than their predecessors".

Most importantly, the study also proves that rising home prices in the South-East are the result of a shortage of houses in the region. Rising land prices, in turn caused by restrictions on the supply of land, are accelerating these price increases.

The study, by Professor A. W. Evans of the Faculty of Urban and Regional Studies at the University of Reading, responds to an earlier paper entitled "House Prices in Perspective: A Review of South East Evidence" prepared by W. S. Grigson. In this paper prepared for SERPLAN (The London and South East Regional Planning Conference), Grigson argued that house and land prices in the South-East were not exceptional. He also argued that land price increases do not affect house prices.

In a carefully argued economic analysis of the issues relating to building land in the South-East, Professor Evans demolishes Mr. Grigson's arguments — hitherto accepted by ministers — that it is only rising personal incomes, not land prices, that are causing rising home prices, and that, since the two are moving together, there is no problem. He shows that:

"Land prices *can* push home prices in that restricting the supply of land can cause both land prices and home prices to be higher than they otherwise would be."

He shows that house-builders have been forced to respond to rising land prices by building smaller houses at higher densities. At a time of rising wealth, when people would be expected to demand and consume larger and better houses, in the South-East they are being forced to buy smaller, higher-density houses. This suggests that there is therefore a major price effect created by land shortage.

The study's principal conclusions are:

- Land prices have increased much faster than incomes, retail prices, and house prices. This constitutes prima facie evidence that there is a problem.
- Despite Grigson's denial of the fact, there has

BY MAUREEN HYDE OF THE HOUSE-BUILDERS FEDERATION, LONDON

therefore been a fundamental shift in the balance of supply and demand; Grigson's interpretation of the relevant economic theory is incorrect. It is true that land prices are determined by house prices but only with the qualification *given the supply of land*. If the supply of housing land were increased, both land prices and housing prices would be affected. Since agricultural land is priced at less than one per cent of the price of housing land, the supply of housing land can be increased.

- A consequence of rising land prices has been that the price of dwelling types with relatively large plots, such as bungalows, have increased faster than the price of dwelling types with relatively small plots, such as flats, and these changes in relative prices have resulted in a shift in construction and purchase away from the former towards the latter.

- The situation of first time buyers has been getting more difficult in that, given the amount they can borrow, more recent first time buyers can afford smaller dwellings than their predecessors.

- Land availability is becoming an increasing problem. Land for development or re-development is increasingly to be found only in small sites; the supply of larger sites appears to be drying up.

- The house building industry in the South-East has increased the number of private housing starts, but newer housing is at a higher density of re-development, on smaller plots than earlier development.

Commenting on Professor Evans' study, Roger Humber, Director of the House Builders' Federation which commissioned the work said:

"What Professor Evans has done is to demonstrate clearly and unarguably that there is a land and home price crisis in the South-East. Land prices are roaring ahead of inflation.

"It is this land price 'banana republic' inflation that explains the CBI's recent expression of concern about an absence of suitable housing in the South-East.

Sir David Nickson rightly said that this is leading

Continued on Page 94 ►

By ROY
DOUGLAS

Lily-livered legislators

and fritillaries unforgivably frittered away

A GOOD book on the land question in a modern context has long been required, and Marion Shoard has made a partly-successful attempt to fill this gap. The approach is nothing if not comprehensive: indeed, one of the most serious criticisms is that it attempts too much, and might be more effective if confined to a somewhat narrower field.

It begins, as comprehensive works usually do, with a historical survey, describing the process by which our present system of land ownership developed. In the various parts of Britain, as in other countries, land was originally regarded as fundamentally different from chattels: something essentially common to the whole society.

For a variety of reasons, and in a variety of ways, the differences between reality and personality gradually became blurred. From that point, the road was open to those extremes of wealth and poverty which, with occasional interruptions and intermissions, persisted right down to the 19th Century, and leave many vestiges to this day.

In a sense, all that is old hat to people seriously interested in the land question; but in another sense the story can never be told too often for the enlightenment of people who do not fully appreciate the differences between land and other property. Even dedicated land reformers will find much to think about, and useful examples which show just how it all happened.

What may perhaps come as something of a surprise is the extent to which the direct, as opposed to the indirect, anomalies and injustices of our land system persist to this day, in spite of all the economic, social and

political changes which have occurred in the last centuries.

Marion Shoard provides a striking and informative analysis, naming some of the people who still own enormous tracts of Britain, showing the sort of wealth which derives from that kind of ownership, and also demonstrating the enormous power over other human beings which, even to this day, attends land ownership. Let those who think that land reformers are overstating their case, or solving a problem which no longer exists, try to answer this author.

Another aspect of this book which is particularly important to

the modern reader is the environmental consequences of our land system throughout the ages, but particularly in the last few decades. This really deserves a book to itself. We all know about the loss of the common, and the "greater villain" who stole it from the goose.

For the past century and a half, too, people have been deprecating the loss of rural land to buildings; but one of the author's most striking observations comes quite late in the book, where she discusses land planning legislation of the late 1940s:

"Farming and forestry were given special exemption, mainly

MARION SHOARD: THIS LAND IS
OUR LAND: THE STRUGGLE FOR
BRITAIN'S COUNTRYSIDE
PALADIN, £5.95. 592pp

◀ From Page 86

to a severe skills shortage and is seriously inhibiting economic growth.

"Government — both local and national — has tried to hide this truth behind a mask of complacency. This report shows that there must be an urgent response from government and from planning authorities if the children of South-East families are to be able to have decent homes, and if South-East businesses are to be able to attract the skilled workers they

need to flourish. Currently those workers are finding South-East house prices unaffordable."

The study entitled "House Prices and Land Prices in the South-East — A Review" is available from BEC Publications, Federation House, 2309/11 Coventry Road, Sheldon, Birmingham B26 3PL at £10.00 including postage and packing.

● This article first appeared in *New Homes Review*, published by the New Homes Marketing Board, London.