

LAND & LIBERTY

Editor: V. H. Blundell

FEBRUARY, 1963

SIXPENCE

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|---|----|------------------------------------|
| Light on Leaseholds | 19 | Editorial |
| Leaseholds —Fallacies and Confusions | 21 | In Parliament |
| Notes of the Month | 23 | |
| New Zealand News - Letter | 25 | E. P. Middleton |
| Harvest of Land Values In 1962 | 26 | From the <i>Estates Gazette</i> |
| The "Benevolence" of Power | 28 | F. McEachran |
| Personally Speaking | 30 | Robert Miller |
| The Needless Tragedy of Ireland | 32 | R. Smith |
| Planning Permission | 33 | James Reeves |
| Miscellany | 34 | |
| Letters | 35 | |



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EDITORIAL

Light on Leaseholds

IN THE controversies which have surrounded the campaign for the enfranchisement of leaseholds, the case has been at once understated and overstated.

The truth has become obscured because, no doubt unwittingly, the public figures whose aid has been enlisted, view the question through the eyes of the complainants and propagate their point of view.

In their enthusiasm they have not stopped to consider whether or not this is part of a much larger social problem.

The case has been understated in that it has not been shown that a building lease — on terms with which we are now familiar and which lessees even when they sign regard as oppressive — is evidence of a monopoly in land.

The campaigners limit their propagation to dwelling-houses, and of these, only such as are owner-occupied. One would think that there were no building leases of shops, offices, warehouses and factories which are subject to the same rules under which the building reverts to the landlord who did not provide it. There may be no complaining voters living in them, but if enfranchisement is just for lessees of houses, it is also just for lessees of business premises.

A person either buys a freehold or takes a lease. If he were to buy his plot for the high prices prevailing, instead of taking a lease, should not the campaigners regard him as exploited too? The usual course would be for him to raise the money on mortgage and pay out of his wages for half his life.

Western Ground Rents Limited in their offers have for some time now quoted terms for a freehold as well as a new lease, and the experience of those engaged in these transactions indicates that most lessees opt for the new lease.

FEBRUARY, 1963

19

Campaigners overstate in several ways. They add up the rent for 99 years at say £10 a year (£990) add the value of the house at the end of the term, say £2,500 and argue that the ground landlord gets £3,490 for nothing! But the house, and most of the rent, is made receivable *in the future*. To arrive at today's value of the bricks and mortar the calculation is:—What sum invested now at compound interest would in 99 years' time produce £2,500? And in connection with the final year's rent, what sum so invested would in 98 years' time yield £10? And so on backwards down the years. These amounts are very small. That is why it is now possible to buy the interest of a ground landlord in a lease with over 70 years to run for about 17 times the ground rent, and thereupon inherit all his rights under it.

As a lease nears its end the value of the leasehold decreases and that of the freehold, because of the approaching reversion, increases. Much of the present difficulty arises because as the term runs short it is not of sufficient value to justify a mortgage. This sterilises the property in the hands of the lessee, and pushes him into one-sided negotiation with the ground landlord.

The campaigners say the ground landlord should sell at less than the maximum price. In this they seek to call up in him a morality they themselves do not possess. Broadly speaking, they and all people obtain the most they can for anything they own.

The Deeper Issue

Assume we had our Act of Enfranchisement entitling the lessee to buy the freehold for say 25 times the ground rent. If the true value were more than that, what happens when he sells? Will he reduce the price to *his* purchaser because he has bought the freehold cheaply? The new purchaser is an occupier no less than his vendor.

Again, leaseholders occupying their dwellinghouses form only a portion of the community. What about the unfortunate people who do not own leaseholds, yet in the very high rents they pay are reflected high land rents and prices? What are they to do? Possibly the politician will say control the rents — the result of which would be to discourage all letting. Part of the remedy for high rents and prices is more houses and one of the main obstacles to this is the private ownership of land and the consequent speculation which tends to hold it out of use.

The enfranchisement of leaseholds is on the outer fringe of a much greater problem and the campaign is an unconscious indication of this. One campaigner recently wrote that "all the lessor provided was the land." Clever man, an agent of providence perhaps!

Even as he said this the writer must have known that no man can provide land. He can monopolise it, he can hold it away from his fellows until they give him sufficient of their earnings to induce him to let them use it, but he cannot provide it.

The monopoly of land is contrary to nature, for upon it and from it we all must work and live. When monopolised, the owner is able to extract from the user something for nothing. There starts an evil, some results of which we see all around us. Other results we do not yet see. Tackle the greater problem and you kill the leasehold question stone dead.

The method of reform is to tax the value of land, whether used or vacant, and at the same time abolish taxes on the products of labour. This land value is so enormous that, taken into the public coffers by way of taxation most, if not all, other taxes including all forms of income tax, purchase tax, etc., could be abolished.

A ground rent, in which there is no building element is all land value, and would go in taxation. The value of the site would bear tax on its value right through, both before and after the expiration of the lease. Consequently leases would become pointless, for the ground landlord would receive no rent, and, because of the land tax, there would be no value to him in the site at the end of the term.

Much has been said about the ground landlord succeeding to the building, but that is not really the prize. The prize is the site. The building, now perhaps a hundred years old and with that amount of deterioration, is out of date. It is the ground landlord's hope, when making the lease, that by the time the term ends the site will become much sought after and consequently yield a much higher selling price or rent.

On a building estate it is common for the ground landlord to start the terms of all leases at the same date, even though a house may be completed some years after. The object, of course, is that the leases will fall in together, making a large and valuable site available.

E. B.

* * *

Our report of the debate on the Leasehold Bill in the following columns, shows the confusion in the minds of our legislators, the saddest thing perhaps being that some very telling points were used in their wrong context and principles established were not followed through to their logical conclusions.

Expensive Space — (4)

A Mayfair site due for redevelopment in December, 1963, with a frontage of 72 feet to New Bond Street, and a total area of 7,130 sq. ft., was sold for £390,000 in December, 1961. This gave a price of £5,416 per foot of its New Bond Street frontage and £54 per square foot over the whole site.

The Observer, January 6.