RICS counsel of despair on affordability

The UK Government recently announced its intention to consult on proposals requiring local authorities to free up more land for housing development in areas where house prices have increased. The response of the RICS, the professional body for surveyors, has been of note.

"It is correct that house price affordability should be a factor in determining the amount of land to be made available for housing," they said, "but attempts to link the level of house price increases with the level of land released will be complex, difficult and controversial. To stabilise or even cut the price levels in the south, there would have to be a virtual doubling of supply. Given that such a scale of development is unlikely to be acceptable, the net result will probably be some valuable addition to the housing stock but a very minor improvement in affordability."

The RICS spokesperson added that "there is also the possibility that the housing market may have started to correct itself by the time the extra housing becomes available." The learned body's conclusion to its findings was surprising: these problems, they said, "serve to underline the fact that there is no single solution nor any short-term solution to the problem of housing affordability."

In light of Deputy Prime Minister John Prescott's public support for the principle of a planning gain supplement (in a speech on 13th July), The RICS's Senior Policy Officer Oliver Foster noted that "one of the key questions is the nature of the tax collection and distribution. The more centralised it is," Foster said, "the more likely its failure (in terms of both industry support and the backing of local communities who must see its benefits). Even if the tax were to be given the go-ahead later in 2005, with any necessary legislation going through in 2006, and bearing in mind the nature of land banks and lengthy planning processes, it may not be until 2009/10 that we start to see the tax coming into force. At this point there could be a change of government and an overturning of the policy." The history of several similar previous Labour schemes since WWII, reveals the enevitable truth of that gloomy forecast. The laudable aims of several previous land acts, commissions and committees of inquiry have been annulled by incoming opposition governments.

The RICS has commissioned a research project into the feasibility of a Planning Gain Supplement, for publication in October 2005.

South Korea seeks land tax hike

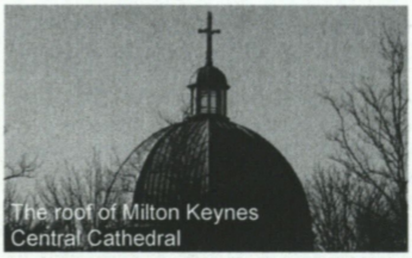
Korea's ruling Uri Party is moving fast to restrict private ownership of land, in a desperate bid to cool down the property market. This is despite criticism that measures may contravene individual property rights ensured by the country's constitution, and may also slow economic growth. Landowners also face heavier taxes for capital gains resulting from land ownership

Olympics and terror

Following the announcement of London's winning bid to host the Olympic Games, Halifax has examined the staggering effects the games had on previous host cities. Barcelona saw prices soar by a staggering 131% in 1992 - 48% higher than Spain's average. Atlanta, Sydney and Athens all experienced similar - if less dramatic - increases.

Such prospects for London, however, may be offset by reactions to the terrorist attacks. David Wyss, chief economist for Standard & Poor's said "You may see a little depression in property prices in central London as you did in New York after 9/11, but that didn't last very long."

£18k Milton Keynes roof tax planned


The roof of Milton Keynes Central Cathedral

Milton Keynes Council is backing proposals for a tariff system dubbed a 'roof tax'. The scheme would mean planning consents for major developments in and around the city will not be approved unless developers pay an £18,000 tariff per new dwelling to be built. This flat rate version of Kate Barker's proposed development land tax is bound to stifle development, ensure less land is released for building on, and discourage the development of smaller, more affordable homes.

The arrangements, a break with the traditional approach of 'site by site' negotiations via section 106 agreements, have been drawn up by the local urban regeneration agency, known as the Milton Keynes Partnership Committee. The Committee has been created as the 'local delivery vehicle' for ensuring sustainable development within one of the growth areas identified under the government's sustainable communities strategy.

Scotland's biggest property developers sell out

Scotland's most ambitious retail park developers, the property entrepreneurs Patrick Vaughan and Raymond Mould, have sealed the second mammoth sale of their careers. British Land have agreed to pay £811m in cash for their company, Pillar Property.

The two made their first fortune when they sold Arlington Securities to British Aerospace at the height of the property boom in the late 1980s - immediately before the impending property crash. Their timing was everything. If Fred Harrison's forecasts in *Boom Bust* are correct, they have now done it again. It is surely a warning of trouble ahead.

Road charge trials 'in five years'

Pay-as-you go road charging could be trialled in the UK within five years, says Transport Secretary Alistair Darling.

The pilot scheme is likely to cover a large conurbation or region, he said. If it is a success, a nationwide scheme could be in place as early as 2015.

Satellite tracking would be used with charges varying from 2p a mile on rural roads to £1.30 in congested areas.

Mr Darling said charging could replace road tax and fuel duty. It would leave half of motorists better off, he said.

Manhattan flats now average £730k

As property prices soar in the UK, Manhattan apartment prices have risen to record high. In April through June average proces topped $1.3m (£730k), according to NY appraiser Miller Samuel - up 8.5% from the prior $1.2m record set at the end of March. This is even more startling considering prices surged 23% from March to December 2004. The earlier price rise was a one-time spike brought on by fears that mortgage rates would rise, Miller said.

The size of the recent price hike is more typical of increases during a real-estate boom.

Significantly, the number of Manhattan apartments available for sale fell in the past year, despite a spate of new developments, Miller said. This helped drive up prices.

It now costs nearly $1,000 on average to buy a single square foot of living space in Manhattan - one of several records set in the second quarter. For instance, the average price of a co-op - where residents own buildings corporately - topped $1m for the first time, an increase of 11.5% since March.