

THE PROBLEM OF LAND PRICES

Review of the paper "The Prices of Building Sites in Britain" read by Dr. P. A. Stone, M.Sc., Ph.D., (Economist at present with the National Institute for Economic and Social Research) at the Colloquium on Land Values held in London, under the auspices of the Acton Society Trust.

DR. STONE has a considerable reputation for his studies of building site costs, and his contribution at the Colloquium gave rise to much discussion on the value of his investigations, their limitations and the need for further research. Starting with a few general observations on the nature of land value he said that the factors that influence land value fall into three categories: Physical, locational, and legal. While man could not create the natural qualities of sites and could only marginally increase their total area, he could change most of the other attributes.

Dr. Stone showed that the value of land depended upon the use to which it could be put. Sites in a man-made environment tend to fetch much higher prices than those in a purely natural environment. The average price for farm land in 1962 was about £134 per acre while the price for residential sites was about £5,000 per acre. Part of this price difference was due to the cost of converting a site from one purpose to another.

As to the available information on site prices, Dr. Stone pointed out that it was often difficult to get adequate information. Much reliance had to be put on the published figures for auction sales and these were not available in any great volume for many areas. It appeared, however, that the medium prices per acre for residential, industrial and commercial uses for the period 1960-62 were £5,000, £8,000 and £25,000 respectively. There were, however, very wide ranges of price within each use category and prices rose to £50,000 for residential, £100,000 for industrial and £700,000 for commercial uses per site acre.

An examination of the London and Birmingham regions showed that the two most important factors influencing land price were distance from the centre and permitted density. Prices and density fell as distance from the centre increased: the fall in price per acre as distance from the centre increased was, however, greater than that which could be accounted for by reduction in density. Location is therefore of great significance and in the London area, at constant densities, prices increased by about 20 per cent for each five miles nearer the centre. At equal distance from the centre, however, selling prices

tend to vary according to density, although density variation at equal distances is not generally great.

The simplest way to reduce site prices, said Dr. Stone, would be to increase the supply of sites through zoning and by raising densities. Here, however, the danger was that the value of the reduction in price to those acquiring homes is likely to be far less than the gain in value to the owners of suitable sites. An increase in permitted density from ten to fifteen dwellings an acre would tend to reduce site cost per dwelling by £50 to £100 but would raise the land price per acre by £2,000 to £5,000 or more.

The cost of sites was influenced by planning control and on this rested one argument for some method of securing betterment.

There was a considerable demand from those attending the Colloquium for the release of official information on land transactions. Dr. Stone pointed to the lack of valuable information and the deficiency of contemporary figures. Dr. Denman of Cambridge emphasised the need for a modern Domesday Survey.

The growing pressure for more land value research can be regarded as a healthy sign. When more people appreciate the importance of land economics and fully understand the consequences of the private appropriation of economic rent we may hope that land-value taxation will get a better hearing. In the meantime, who would argue with Dr. Stone that betterment levies promise no adequate solution to the land cost problem. Furthermore, let it not be forgotten that increases in the supply of land by legal sanction, i.e. zoning and higher permitted density, will not necessarily ensure that more land is put on the market or that the price of land will fall.