



# Housing and the Cost of Land

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"Costs can be reduced if abundant land is readily available for low density development."

IN AN AGE of rapid technical growth, we frequently need to be reminded that it is the effect of technology on the individual and collective well-being of the human race that really matters. We need to ensure that the fruits of scientific research and increased knowledge are applied in a purposeful way and to the benefit of everyone.

In Britain there has always been a lamentable lack of scientific research specifically concerned with land economics and only in recent years have there been signs of a growing interest in the collection and analysis of data on land costs. An example of this was the appearance towards the end of last year of a survey of land costs in housing association projects financed by the Housing Corporation.\*

House building by housing associations is a compromise between the methods of the private market and of the public housing sector. Schemes have to be self-financing and rents are fixed at a level to cover initial costs and continuing interest charges in forty years. These schemes may be compared with the limited-profit American middle-income housing systems. Upper limits of land cost for housing association schemes are fixed by the District Valuer, and design standards are relatively high in order to meet the Corporation's requirements. Although the resulting rents can never rise to those of the upper levels of the private sector, they can rarely be as low as those of urban public housing which are influenced by higher subsidies and the advantage of slum clearance land costs, *i.e.* existing—use site value compensation.

The survey covered 392 housing schemes comprising about 16,300 homes in the form of houses, low rise and high rise flats. Analysis of land, construction and fee costs was made within nine regions of England and Wales by dwelling type and density. Average prices per acre for houses ranged from £27,783 in Greater London to £2,296 in Wales. Average prices per acre for low rise flats ranged from £42,685 in Greater London to £8,130 in the North West. Land costs per acre for high rise apartment schemes in Greater London averaged £65,134.

Analysis of land costs in the Greater London Area revealed a steady fall in price with increasing distance from the centre, except that after twenty miles prices rose slightly. This was attributed to the restrictions of

the Green Belt. Within five miles of Charing Cross average land price was £88,600 per acre, but within the 15 to 20 mile band, prices were down to about £21,000 per acre.

The regional differences in land costs show up particularly when related to the number of people housed. Land cost per person for houses and low rise flats were shown as follows:—

Region	Houses		Flats	
	Average land cost per person	Per cent of total cost	Average land cost per person	Per cent of total cost
	£		£	
Greater London	363	26	470	24
South East	233	21	316	20
South	235	20	276	17
Beds, Essex and Herts	243	24	269	16
Midlands	119	15	204	16
Yorkshire and Humberside	66	9	123	10
North West	66	9	127	9
South West	100	12	171	12
Wales	55	7	133	11

This table also shows that land costs fluctuate as a percentage of total housing costs and that they are very heavy in areas of high demand, accounting for about a quarter of outgoings in Greater London as compared with only 7 to 11 per cent in Wales.

The results of this research clearly illustrate the relationship between levels of economic activity, land price and density of development. Low densities are generally indicators of low land cost per acre or of high incomes in relation to site values. Where pressure on land is greatest there is a tendency to raise density in order to reduce land costs per person, in spite of increased construction costs.

It is a pity that the National Building Agency has omitted, in the evaluation of its research, any reference to public policies. This job it has left to others, but in the wealth of statistics there seems to be a simple message: housing costs can be reduced if abundant land is readily available for low density development. This should interest the town planners, but it needs to be emphasised that land will not necessarily be used just because it is allocated for development on a plan. Positive fiscal incentive is required, and the best prompter of the land market has always been the tax on site rental values, as Australian and New Zealand experience confirms.

\**Land Costs and Housing Development*, The National Building Agency, Price 10s.