PRACTICAL POLITICS

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HINTS FOR UNDERPRIVILEGED LANDHOLDERS

We are all familiar by now with several well-tried ways to successful landownership. Cash in on grants of planning permission (everywhere and anywhere). Collect other people's subsidies or tax breaks (agriculture). Take advantage of infrastructural improvements (road, rail). Leech on to improved social order (Belfast), devolution of political and administrative authority (Edinburgh, Cardiff), urban regeneration schemes (Thames Gateway). Ride on the back of a collective extravaganza (the Olympics). Suck benefit from the catchment areas of the better schools. Exploit the satisfaction to be had from overlooking lovely parkland, a good beach, the sea, the mountains, the lakes. Rake in the locational spoils offered by business, retail, entertainment, tourism, and residential needs (London and any comparable "hot spot").

Why, though, are some landowners so good at milking rent from their holdings? We have noted a geographical trend. With the odd exception, your south of England landlord is hugely successful at squeezing big money out of his land, but as we move northwards we see increasingly marked fall-off in performance, right through to the Highland lairds whose rent productivity per acre is, frankly, scandalously low. Can it be that the riches of the landowner depend on the presence and activity of *other people*? No personal effort is required: just look at Nature's bounty and wait on the turn of events. There is nothing a landowner, as mere title holder of land, *can* do, anyway! Rural landowners everywhere ought really to be considering rolling up their land and relocating to the centres of the big cities, but that is the one snag of possessing a monopoly location: it just can not be moved. It's a tough life, but it does beat working for a living!

EXEMPLI GRATIA

The land is "normally the most expensive element of a [house] self-build project" (Dido Sandler, "Financial Times", 6th. May). "The average price for a plot with outline planning permission starts from £120,000 in Surrey compared with just £45,000 in Durham." Mind you, Seaham, a former pit village that collapsed (not quite literally) with the demise of the Durham coalfield, has seen house prices rise by 172% in three years: "Millions of pounds in government and European money" have been poured into the area and "are boosting prices" (Edward Black, "Daily Express", 27th. May). Ah!

THE SixtyK HOUSE and other LITTLE HOUSING BITS

(i) "The name SixtyK House is itself a fiction: £60,000 is the figure for the building cost alone, and it is not difficult to construct a house for this sum. The land is extra, however. The average single plot costs £93,000 but inner-city space is obviously much more expensive" (Anne Ashworth, "The Times", 19th. May). "The Government, meanwhile, continues to refer to the £60,000 figure, so as to keep up the pretence that the problems of hard-up first-time buyers have been magically solved."

The SixtyK houses, may, by adding to demand, "actually drive up the price of land" (chief executive, Crest Nicholson, cited by Andrew Cave, "Daily Telegraph", 15th. May). "They may be good news for landowners. If the construction cost falls…you [housebuilders and buyers – ed.] may give up part of that in land values. You can never buck the market." LVT does rather re-shape it, though – highly recommended!

(ii) Living over a shop is no longer to be thought *infra dig*. Depending on the shop and (no surprise here!) its location, it is now a positive factor. "Living near or over basic amenities such as those provided by a Tesco Metro or a Sainsbury's Local, could add as much as five to 10 per cent to a property's value" (agent, quoted by Mary Wilson, "Daily Telegraph", 15th. June). On the South Circular Road in London, S.W.2, where a development has a Tesco Metro on the ground floor, 22 two-bed apartments are on offer at prices starting at £290,000. Above a new Marks & Spencer food hall, on the site of an old ABC cinema with views over Hampstead Heath, are being built 36 one-, two-, and three-bed flats, priced from £495,000 to £1.65 million. Neither the buyer nor the builder cashes in: the change in perception is an added bonus for the landowner.

(iii) "In 2001, the Cotswold Canals Partnership started to drive forward plans to restore the 18th-century Stroudwater Navigation, which snakes from Stroud to the Gloucestershire & Sharpness Canal, and the Thames & Severn Canal" (Christine Webb, "Daily Mail", 28th. April). In January, it got a total of £17.9 million "to restore a six-mile section from Stonehouse, past Stroud to Brimscombe". Restoration of the previously dry and disused Stroudwater Canal "is boosting house prices [once again, housing land prices – ed.] and is a magnet to developers, retailers and tourists, so prices could snowball."

Meanwhile a valuable canalside development site at Worcester with detailed planning permission for 17 houses/apartments, is for sale at a guide price of £800,000 (advertisement, "Estates Gazette", 3rd. June). The site area is just 0.27 acre, equivalent to £3 million per acre (for somewhat squashed-up waterside living, it seems).

(iv) "Experts are warning that subsidence is on the increase. As the water companies issue drought warnings, the Royal Institution of Chartered Surveyors has warned of an upsurge in buildings suffering from subsidence following…the third longest dry period since 1914" (Dido Sandler, "Financial Times", 3rd. June, under the headline, "Floods and drought can be a plague on houses"). Depending on individual or local circumstances, insurers will make exclusions or set high excesses or require higher premia; or, indeed, cover may be refused altogether. Mortgages may be unavailable or at least hard to come by. Properties may be very difficult to sell. If location values in some areas are as seriously affected in future as this newspaper article predicts, landholders have no choice but to give way and concede lost value.

Footnote:- Let us remind ourselves that in political economy a landholder is not necessarily a single person, but may be a partnership or body corporate. A landholder is not necessarily the freeholder: anyone who holds an interest in land, anyone who can sell or rent land out for profit, is to that extent a landholder. A landholder may also perform work or provide capital, but land, labour, and capital are distinct factors in the creation of wealth and have to be treated separately in economic analysis.

NORTHERN IRELAND

(i) There has been a fivefold increase in the last 15 years in the number of approvals granted for new rural homes. In March, the Northern Ireland Office decreed an immediate tightening of the rules. "A mortgage broker in Londonderry expects one immediate impact will be that the price of sites – those that already have planning permission – will shoot up" (John Murray Brown, "Financial Times", 29th. April). "But most analysts believe the effect of the planning changes will be to put downward pressure on land prices." Both views are correct. Granting fewer planning consents for erecting dwellings obviously makes housing land with permission scarcer and therefore dearer. Applicant landholders who are rejected will see their land revert to the depressed value that reflects "the current poor returns earned from farming."

(ii) There is concern about the office market. Inward investment is below expectations, no doubt influenced by the rate of corporation tax, which is 12½% in the Republic as against 30% in the North. The Northern Ireland Office argues that tax allowances reduce the disparity to 13.7% as against 21.7%, which is really not very comforting. Contemporary U.K. taxes destroy U.K. jobs. "We are at a disadvantage because we are the only part of the UK that shares a border with a country with vastly different corporation tax" (Belfast agent, cited by Noella Pio Kivlehan, "Estates Gazette", 3rd. June). The argument should not be so narrowly based as this. All taxes on productive work are bad. Replace taxes on man-made endeavours and rewards by collecting the annual rental value of land alone. That way, business prospers and the border headache is one for the Republic to face!

WALES

"It was called Tiger Bay – heavily industrialised, slummy and tough, its docks exporting south Wales coal around the world" (Catherine Moye, "Financial Times", 29th. April). Now it is Cardiff Bay, and "the regeneration is especially notable". Coming attractions are the Wales Millennium Centre, the £700m International Sports Village with the residential area of BayPointe and its three towers (the largest of 38 storeys), "to put a bit of contemporary chic" where the grime used to be and "sleek yachts rather than rusted coal barges". This is progress, 21st. Century style. Land value is obviously a measure of the economic health of a community and is equally obviously the natural source to tap for national revenue. Failing this, Cardiff Bay's businesses will be subject to the UBR and corporation tax, the shareholders will be taxed on their dividends and will pay capital gains tax when they sell their shares. The executives and their workers of course pay income tax and council tax, then VAT on what they buy. They also pay SDLT, customs duties, duties on motor fuels and much else, plus, upon exit, inheritance tax. In the face of the landed interest, the Welsh are supplicants on their own soil.

RAISING THE DRAWBRIDGE – MODERN STYLE

The answer to the siting of much-needed new housing "is to devolve decisions to the local people who will be most affected by it" (leading article, "Daily Telegraph", 10th. June). Perhaps oddly, we do not much object to this paean to the N-I-M-B-Y voice. We have a proviso, though. The communities that vote for exclusion will be expecting to protect or raise their land values, and to cash in on it when they deign to move away from the area. Let them therefore hand these location values over as part of a programme for a national land-rent charge (LVT) to be paid annually to replace present taxes.

SOMETHING TO PONDER

Collectively we create a value – land value – only to give it away to private interests. We then pillage what really should be private, in order to finance the common weal. It is small wonder we have injustice and social problems. The yield from LVT is certain and secure: land cannot be hidden or moved away to a tax haven, so the duty can be neither avoided nor evaded.

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