PRACTICAL POLITICS

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A TALE FOR PANTO TIME: There just isn't the land! Oh yes there is!

The north-west of England is "eerily quiet" (David Thame, "Estates Gazette", 29th. November); or at least its industrial and warehousing market is. An agent is quoted: "There just isn't the land, and lack of opportunity is slowing us down". This can only mean that land is not available at affordable rents and prices which allow profitable economic activity to take place. The truth will out, and later we read, "Construction costs do not appear to be increasing at the same pace as rental values. Over the short term, this is likely to lead to an increase in land values."

These last two, slightly curious, sentences bear analysis. Here, "rental values" are the prices occupiers are prepared to pay. If construction costs are not rising much, then the additional income is going not as wages and interest to labour and capital, but instead to the landowners. If the market is so "eerily quiet" that "there just isn't the land", this is because the landowners are holding out for more dosh. The "lack of opportunity" is a slowdown in the work of constructors and developers – and short hours or unemployment in the building trades.

It is not static construction costs that are leading to an increase in land values, either in the short term or at all. Demand by working people for industrial and warehouse space in the right locations is responsible: that demand is itself a response to a rise in the general level of economic activity in the north-west and the country as a whole. This is a classic illustration of how the benefits of progress are siphoned off by the landed interest and of how the speculative withholding of land depresses growth and destroys jobs. Let us remind ourselves that no landowner or his predecessor in title ever made the land, nor, as simple holder of a title deed, does he do, or can he do, anything to create the land value that enriches him.

LOST LAND VALUE REFUNDED

"The Central London Valuation Tribunal has awarded nine Bond Street stores [uniform business rate] rebates of 50% for the period between 11 September and 31 December 2001" amounting to £250,000 in all (Mira Bar-Hillel, "Evening Standard", 10th. December). This is "assistance to help compensate them for a downturn in business and an American tourist stay-away after 9.11". The UBR is a composite tax on land and man-made developments, in these cases shops. The 9.11 incident in New York clearly had a knock-on effect on London's West End, but it harmed neither the fabric of the buildings nor their contents. It touched only site value. Tourists bring location value with them. Truly, land value is a people value.

DEVELOPING GLASGOW – 1

Elphinstone is a Glasgow-based company with four main activities – land acquisition, commercial development, residential development, and student accommodation. “Elphinstone is also a political animal, and strategic alliances have helped its growth. In 2000, it created a £15m joint venture with the Bank of Scotland to build student flats, and two years later secured another £30m from the bank to make strategic land acquisitions throughout Scotland. In December 2002…it signed a £3m joint venture with the Royal Bank of Scotland to develop 30 acres as a business park and hotel in Newton Mearns, seven miles south of Glasgow city centre” (Adrian Morrison, “Estates Gazette”, 29th. November).

The company’s “ability to think laterally” has invoked admiration. Before it redeveloped a former tobacco factory into offices, “only retail developers were expressing interest. This was because the site is on the A8, close to junction 15 of the M8, and had a huge car park. However…Glasgow council wanted residential, so it could generate income through the council tax. Elphinstone proposed redeveloping the main building for offices and selling the car park for residential. Everyone was happy, but especially Elphinstone, as it purchased the entire site for £2.5m and immediately sold the car park to housebuilder Wimpey for £4.6m.”

All of this is perfectly legal and, as things stand, perfectly normal. One cannot help noticing, in passing, however, that large sums of institutional funding are tied up in land purchasing and (usually, if not always!) in land holding. This is a waste. Consider how much better off the economy would be if accumulated savings were devoted to productive, wealth-creating use. Consider, too, the concomitant benefits if work and initiative and the rewards to labour and capital were freed from taxes, with public revenue derived from collection of the rental value of land.

DEVELOPING GLASGOW – 2

Completion of the M74 across south Glasgow to link with the M8 close to the latter’s Kingston junction with the M77, is now due in 2008. Whereas some see this as an opportunity to bring forward sites for industrial and distribution operations, others note “the phenomenal values realised through residential land sales” (Adrian Morrison, “Estates Gazette”, 29th. November) and suggest this means “landlords will try for housing consents.” One commentator thinks the Gorbals area surrounding the most westerly part of the M74 extension to be well suited to industrial use; but the council wants to regenerate the area residentially. “There is also the perception that the development agency for the city, Scottish Enterprise Glasgow ("SEG"), is not interested in the industrial issue. One agent said that its overriding priority is the success of the International Financial Service District and attracting the financial sector." SEG, though, believes the M74 extension will "bring brownfield sites back into use for industrial development."

Sceptical agents still maintain "large sites around the new road will be converted to residential. For example, local investors [*sic*] recently bought the 11-acre former Parcelforce depot in Tradeston. 'They were more interested in the land than the buildings' says [a surveyor]. 'When the new M74 extension is built they will push for a residential consent'…Well in excess of £5m" was paid for the Parcelforce land. "It is unlikely that anything other than a high-density residential scheme would be profitable."

This sort of thing is going on in cities throughout our land. It is entirely sensible for a landlord to seek to extract the maximum proceeds from his activities, including rank speculation. It is the system of landholding which is at fault. It is a system which has to be changed. The value of land is public; but the value of man-made wealth, of wages, of interest on man-made capital, is private. Land is not man-made: it is a given, a condition precedent to the creation/evolution of *homo sapiens*. For practical purposes its quantity is fixed. It can not be moved from place to place. Each parcel is unique in its attraction as a location in comparison with all others. Its rental value derives from natural advantage and from the past activity of the community as a whole; but, more importantly still, that rental value is constantly being maintained or varied by what society does in the here and now and by what it has in mind for to-morrow. That is the truth that has to be grasped, and it is the business of politics, of economics, and of philosophy to proclaim it.

LONDON'S TURN NOW

Last year, Scotland, Wales, and Northern Ireland went to the polls to elect new devolved legislative bodies. This June, it is the turn of the GLA. Greater London covers really rather a small area, and relies heavily on its south-east of England hinterland. It says it produces massive wealth which is taken by the government in taxation and distributed to the ungrateful provinces to keep them going, which explains why Londoners (unless they live in good areas and own their own homes outright) are not, all things considered, particularly well off. The fact is – although no one trumpets this – that the wealth of London and the south-east is skimmed off in sky-high land rents and prices. Remember? The Rent of Land is a differential, the equaliser which, special skills and experience apart, brings wages ("take home pay") back to essentially the same level everywhere.

NOT SUCH A TOUGH NUT TO CRACK

"An international team of scientists…surveyed 23 natural Brazil nut tree populations in the Brazilian, Bolivian and Peruvian Amazon, and found that areas extensively harvested for decades are dominated by older trees, suggesting that the normal cycle of regeneration has been disrupted. 'If you collect too many seeds, you're not going to have seedlings, said one author'" (Zoe Griffin and Roger Highfield, "Daily Telegraph", 19th. December). How would the operation of LVT affect this type of situation? In the context of agriculture and forestry, the assumption for valuation purposes is that the land is "in good heart". Improvement in soil quality by heavy manuring, say, would attract no extra duty; but over-intensive working that impoverished the soil would earn no remission. The system thus encourages good practice. Prudent forestry management consciously replaces older trees by saplings.

WHAT IS THE GOING RATE FOR PLANNING CONSENT, PLEASE?

"Planning minister Keith Hill has proposed that developers can choose to pay a charge instead of negotiating a conventional section 106 agreement, providing local authorities with money to spend on new community facilities, infrastructure improvements or affordable homes" (brief news item in the magazine, RICS Business, December 2003).

HOT PROPERTY – but don't ignore the thermal properties of the LAND!

"Hutton Mount is always a hot property area whatever the economic climate" (Kerry Stephenson, "Gazette Property", Brentwood, Essex, 31st. October). "Most buyers when they enter an estate agency cut immediately to the chase. 'Find us a property on Hutton Mount, not Shenfield, not Hutton, just Hutton Mount please'...Land is one of the most expensive elements on the Mount and the price reflects that inescapable fact."

How would it be if, with LVT operating in its fullness, homeowners had to buy (take out a mortgage for) only the house itself and other man-made improvements to the site, with just the annual land rental duty to find thereafter and no (or hugely reduced) future tax outgoings of any sort? As the television advertisement does not quite say, "You can do it if you LVT it!"

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