

Commercial and Industrial Land

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THE OBJECTIVE estimation of land values is possible only where there are numerous transactions from which mean values may be derived. The value of agricultural and residential land can thus be estimated with a high degree of accuracy because of the frequent sales among these categories of land use. In contrast, accuracy is harder to obtain with industrial land and very difficult to achieve (at the present time) with commercial land because relatively few transactions occur in these categories of land use. Furthermore, it seems that the details of the small number of transactions involving commercial land, which regularly appear in property magazines, have *only once* been collated. This research, by Vallis (1972), assessed the changes in land value in Britain over a period of nearly 80 years, for three categories of urban land use, namely residential, industrial and commercial.

The present estimates are a collation of all the available information on the value of commercial and industrial land in Britain. All the data have been corrected to equivalent values as at the end of 1985. The final valuation was derived in the following way.

First, the total area of developed land in Britain was estimated (see Chapter 4); this was then divided into regional areas. The

Table 7 : I
The total value of industrial and commercial land
in Great Britain as at 31st December, 1985

Commercial land	£107.7 billion
Industrial land	£35.5 billion

percentage area of urban land in each region dedicated to a particular land use was next estimated. Finally, a mean value for industrial and commercial land in each region was derived, and regional totals for each use calculated. These were then aggregated and found to be as shown in Table 7:I.

The Total Area of Urban Land

The total area of urban land in Britain is a fairly well established figure. Researchers have made estimates which are presented in Chapter 4. A 1985 figure of 1.78m ha (4.4m acres) for England and Wales and 2.02m ha (5m acres) for Great Britain was established.

Land value and the percentage of land in urban use varies considerably from one region to another. Any tolerably accurate estimate of the total value must therefore allow for these divisions. In Table 7: II, data for the percentage of land which is in urban use in each economic planning region has been summarised from Best's

Table 7 : II
The regional distribution of urban land in Britain

<i>Region</i>	<i>Total area</i> (<i>'000 ha</i>)	<i>Percentage urban</i>			<i>Urban area*</i> (<i>'000 ha</i>)
		<i>1960</i>	<i>1970</i>	<i>1985</i>	
SE	2,740	15	19	20	550
SW	2,370	7	8	8	190
EA	1,240	5	7	7	85
EM	1,270	9	11	11	145
WM	1,300	12	13	13	170
Y&H	1,420	11	12	12	170
NW	750	23	26	26	195
N	1,940	6	7	7	135
W	2,080	4	7	7	145
S	7,720	3	3	3	240
Total	22,830	(7)	(8)	9	2025

* Extrapolated values, referring to the economic planning regions as they were in 1971.

tabulation of the results of three surveys (Best 1981:65). These surveys were carried out in the 1960s so some extrapolation is necessary to update their findings to 1985. A particular difficulty here could be in allowing for the population drift to the South East. In the event, the order of extrapolation required to update the figure was very small.

The importance of making the calculations at the regional level may be gauged from the evidence that the South East accounts for 58% of the total residential land value of Britain (Table 6: III). To obtain the most accurate figure for the total land value, effort should be concentrated in the regions having the greatest relative land value.

Commercial and Industrial Land Area

An attempt was made in Chapter 4 to determine the area of the nation's land which is actually dedicated to commercial and industrial uses. It is particularly important to obtain an accurate figure for the percentage area of commercial land, the value of which can be over twenty times as great as those in other uses. Unfortunately very few of the existing studies separate out commercial land as a discrete statistic.

In the Second Land Utilisation Survey, commercial land was included with residential land and the two together comprised, in total, 48% of the urban area! We calculate that commercial land amounted to about 2.25% of the urban area in 1985.

For the regional variation it is assumed that the degree of commercialisation in any area is related to the percentage of the rates paid by commerce. Table 7: III shows the percentage of the rates paid by commerce and industry in the standard economic regions of England and Wales. Inner London and Leeds have been picked out to verify that it is the cities which raise the national average, and the towns, villages and rural transport routes (included in the urban definition) which lower it. The average for England and Wales is greater than the average for each of the regions, testifying to the national importance of the Inner London boroughs. Detailed studies of these boroughs are needed to provide information on the extent and value of commercial land.

Table 7 : III
Percentage of the rates paid by commerce and industry
in various regions

<i>Region</i>	<i>% commercial</i>	<i>% industrial</i>
Inner London	55	2
Outer London	24	11
Rest SE	22	10
SW	22	8
EA	22	11
EM	21	14
WM	20	14
Y&H	21	13
(Leeds)	(29)	(11)
NW	22	12
(Merseyside)	(21)	(12)
N	18	14
W	18	14
England and Wales	27	10

Source: Municipal Year Book, 1986.

To illustrate this importance one has only to consider the distribution of commercial offices. According to an Inland Revenue Valuation Office survey for the end of 1985 (IRVO no. 47 : 45), the Cities of London and Westminster alone account for 48% of the capital value of all the offices in England and Wales, the rest of London accounts for another 26% and the rest of the South East another 10%.

Industrial Land Values

The final problem was to determine the mean value of industrial and commercial land in each region. The more straightforward of these was the estimation of industrial land value. Five data sets (Vallis 1972, IRVO 46 & 47, Fothergill 1985, *The Estates Gazette* 17 February 1987) were compared in order to arrive at the final figures

Table 7 : IV
Industrial land values at the end of 1985
 (£'000/ha)

<i>Region</i>	<i>IRVO no. 46</i>	<i>Fothergill</i>	<i>The Estates Gazette</i>	<i>Final</i>	<i>Housing land values*</i>
London	990	1,070	—	990	1,200
Rest SE	690	610	690	670	547
SW	270	290	350	280	287
EA	210	180	230	210	272
EM	150	180	160	160	161
WM	200	200	190	200	205
Y&H	200	150	160	170	142
NW	150	150	140	150	143
N	70	70	70	70	150
W	100	90	—	100	102
S	—	—	110	110	150

* See page 97.

shown in Table 7:IV. All the figures were corrected to equivalent values for the end of 1985 using the Retail Price Index. Among the five data sets two are not shown in Table 7:IV. The values obtained by Vallis were considered to be out of date and the other set, which were for the Enterprise Zones only, were considered unrepresentative. Nevertheless, both of these, in general, confirmed the values of the other data sets.

An interesting fact emerges from a comparison of Vallis's figures for the late 1960s with the latest data. Land values in Wales have suffered a relative decline, while those in the South West have advanced significantly. This was not the intention of politicians who sanctioned the construction of the M4 and the Severn Bridge! The idea was that South Wales would benefit from improved access to London.

It is also interesting to note, in passing, that the values for industrial land shown in Table 7:IV are not dissimilar to those shown in Chapter 6 for residential land.

Commercial Land Values

The estimation of commercial land value is more difficult. Vallis (1972), for example, looking at median price levels, suggested that for England as a whole, commercial land values were 22 times residential values and 20 times industrial values in the mid-1960s. But the commercial land sampled was mainly in central London, so the comparison appears actually to have been rather one between the city centre and the suburbs (see Appendix 1). Since that time it appears that residential land value, instead of remaining a little lower than industrial, has become slightly greater. This may indicate that the continuing extension of the green belts around Britain's cities is forcing up residential land values in general and not just in the South East region as is commonly supposed.

The only thoroughgoing survey of urban land values in Britain, which was carried out for the town of Whitstable in 1973 by Wilks, revealed that the street value of the main commercial centre was about ten times the average residential street value. However, Wilks noted several reasons why shop values in Whitstable were depressed at that time, and also the fact that house values had surged by 25% in the previous nine months (The Land Institute 1974: 8-9). In any event, Whitstable can hardly rate as an important centre of commerce with a population of only 25,000.

For Bristol in 1985 a valuer with extensive local knowledge estimated the value of city centre commercial land at about 20 times the general industrial level and 12.5 times the general residential level. A clear pattern, therefore, emerges regarding the general relationship between central and suburban land values. The problem lies in finding a general relationship between the *average* level of commercial land values and average industrial and residential values so that the latter, which are relatively well known, may be used to calculate the former.

An impressionistic approach, backed up by the observations in Appendix 1, is the quickest way forward. Let us assign the nation's commercial land to three categories, occupying say 10%, 50% and 40% respectively of the commercial area. First, there are the prime areas of the major centres serving whole regions or sub-regions. Then there are the surrounds of the prime areas and all the

secondary commercial centres serving districts. Finally, there is all the distributed commercial property having no real focal point. If these categories are valued at 25, 10 and 2.5 times the industrial/residential value the net multiplier is 8.5. In reality there is a full spectrum of values spreading from around the residential value upwards to about 200 times that value in the City of London. Nevertheless, this model may be conceptually useful.

For any individual site a key determinant of its value will be existing use rights, as defined by the appropriate planning permission. These rights usually remain forever since, once granted, they are the rightful property of the owner just as much as the bricks and

Table 7 : V
The value of commercial land in Britain
at the end of 1985

<i>Region</i>	<i>Urban area¹ ('000 ha)</i>	<i>% commercial</i>	<i>Land value (£M/ha)</i>	<i>Gross value (£ billion)</i>
City of London	0.27	40.0	106.0	11.45
Westminster	2.2	15.0	33.3	10.99
Rest of London	137	3.7	4.29	21.75
Rest of SE	405	2.2	3.83	34.13
SW	195	2.2	1.62	6.95
EA	90	2.2	1.22	2.42
EM	150	2.1	0.93	2.93
WM	170	2.0	1.16	3.94
Y&H	170	2.1	0.99	3.53
NW	190	2.2	0.87	3.64
N	130	1.9	0.41	1.01
W	145	1.9	0.58	1.60
S	240	2.2	0.64	3.38
Total	2,025	2.25	2.36	107.72

1. Adjustments have been made to the urban areas of the pre-1974 economic planning regions as set out in Table 7:II to make them apply to the present planning regions.

Table 7 : VI
The value of industrial land¹ in Britain
at the end of 1985

<i>Region</i>	<i>Urban area²</i> <i>('000 ha)</i>	<i>% industrial¹</i>	<i>Land value</i> <i>(£'000/ha)</i>	<i>Gross value</i> <i>(£ billion)</i>
SE	545	4.2	840	19.2
SW	195	4.6	280	2.5
EA	90	6.2	210	1.2
EM	150	8.1	160	1.9
WM	170	8.1	200	2.8
Y&H	170	7.7	170	2.2
NW	190	6.9	150	2.0
N	130	8.1	70	0.7
W	145	8.1	100	1.2
S	240	6.3	110	1.7
Total	2,025	6.3	278	35.5

1. Industrial includes utilities.

2. See note 1, Table 7: V.

mortar. The value of each site is no doubt affected by many other variables. Nevertheless, it is still possible to postulate a mean value. If the mean value of industrial land in Britain at the end of 1985 was £278,000/ha (Table 7: VI), then the mean value of commercial land becomes £2.36m/ha.

Regional Analysis of Industry and Commerce

To estimate the area of land in each region which is in commercial or industrial use reference has been made to the data derived in Table 7: III. This shows the percentage of the rates in each region which is paid by commerce and industry. By comparing the regional figures with the national figures the relative commercialisation and industrialisation of each region may be determined and we would expect this to be reflected in land utilisation.

The factor of 8.5 for converting industrial to commercial values applies to the nation as a whole, so it has been adjusted when applied to the regions to take account of the fact that the commercial land values for the Cities of London and Westminster have been calculated separately and are a disproportionate share of the total (see Appendix 1). The factor for all the regions has to be reduced to 5.8 to be consistent with the national factor of 8.5.

The total value of commercial land in Britain was found to be £107.7bn, 21% of which was in the City and Westminster (Table 7: V). The total value of industrial land was found to be £35.5bn (Table 7: VI).