

## APPENDIX 2

# The Evidence of Rateable Values

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IN APPENDIX 1 it was suggested that current rateable values are not useful for indicating land rents because they are not regularly updated and because they are assessed on land and buildings together. In this appendix we attempt to up-date British rateable values in the light of the Scottish revaluation of 1st April 1985. We then capitalise the resulting net property rents and apply to them the site value proportions of capital values used in Appendix 1. Finally, we compare the resulting ratios between the land value totals of the sectors with the ratios obtained in this study.

The results of the Scottish revaluation (Table A2: I) represented the effect of the changes in property values between 1976 and 1983 on the total values of the property that existed in 1985. For England and Wales we need to know the effect of the changes in property values between mid-1972 (the effective date of the 1973 revaluation) and mid-1985 on the total values of the property that existed in 1985.

We may take the Scottish changes as fairly typical of British changes from 1976 to 1983. Scotland's share of UK GDP (excluding the continental shelf) fell from 9.1% to 9.0% in this period. Scottish average house prices increased slightly more slowly than the UK average (2.1 times as opposed to 2.34 times, according to the Nationwide Building Society). Scottish office and shop prime rents almost kept up with the GB average from 1977 to 1983, according to Healey & Baker's *PRIME* report. Industrial rents lagged over the whole of Britain.

According to the Nationwide, UK average house prices increased 4.5 times from 1972 to 1985, and by exactly half that multiple from 1976 to 1983. So let us assume *all* unit net annual

**Table A2 : I**  
**Scottish rateable values (net annual values)**  
**before and after the 1985 revaluation**

	<i>1st April 1984</i>		<i>1st April 1985</i>	
	<i>(at 1st July 1976 values)</i>	<i>(at 1st July 1983 values)</i>	<i>(at 1st July 1983 values)</i>	<i>(at 1st July 1983 values)</i>
	£m	%	£m	%
Domestic	489	33.9	1,301	40.3
Industrial, freight transport subjects, public utilities	335*	23.2	592*	18.3
Commercial	374	25.9	841	26.1
Miscellaneous	245	17.0	493	15.3
	1,443	100.0	3,227	100.0

\* A deduction of 10% has been made for the value of rated plant and equipment (see Bryant 1987:114). Industrial re-rating (50% in 1984 and 40% in 1985) has been removed.

Source: Scottish Office.

values in England & Wales in this period increased twice as much as they increased in Scotland between 1976 and 1983. Scottish average house prices increased by about 15% from 1983 to 1985, so let us assume that all Scottish unit rateable values increased by that proportion in that period. The British values may then be calculated, as in Table A2:II.

Converting the net annual values to their capital equivalents using the 1985 yields adopted by this study (see Table 2:I) produces the capital values in column (1) of Table A2:III.

The equivalent land values produced by this study (deducting the vacant land values of Table 8:IX from the sectoral totals of Table 2:I — but see footnote in Appendix 1 — and deducting a further 1% for the value of building sites — see Bryant 1987: 114) are as in column (2) of the table.

It may seem implausible that the values for land should be almost as high as the values for land and buildings together. But the latter are based on 'net annual values', which assume that the tenant has the responsibility for all repairs and insurance. Such values are

Table A2 : II  
Scottish rates of change applied to Britain

<i>England and Wales</i>	<i>1st April 1985 (at mid-1972 values)</i>		<i>Increase</i>	<i>1st April 1985 (at mid-1985 values)</i>	
	<i>£m</i>	<i>%</i>	<i>Factor</i>	<i>£m</i>	<i>%</i>
Domestic Industrial, warehousing, public utilities	3,815	49.8	5.32	20,296	56.6
Commercial	1,426*	18.6	3.53	5,034	14.0
Miscellaneous	703	22.4	4.5	7,740	21.6
	703	9.2	4	2,812	7.8
	7,664	100.0		35,882	100.0
<i>Great Britain</i>					
Domestic Industrial, warehousing, public utilities				21,792	55.0
Commercial				5,715	14.4
Miscellaneous				8,707	22.0
				3,379	8.5
				39,593	100.0

\* A deduction of 10% has been made as in Table A2:I.

Source: Inland Revenue (1986:78).

considerably lower than the gross rental values upon which market capital values may be based. Also they are existing development values, whereas the values for sites are full development values.

We cannot say, therefore, to what extent rateable values confirm the absolute findings of this study. But there is no reason why they should not be used as a check on the relative positions of the sectors.

The value of occupied residential land in this study comprises 35% of the total value of British housing in the CSO balance sheet. In Appendix 1 we took 36% and 45% as the proportions of land value in occupied industrial and commercial property, respectively, in England and Wales. These latter proportions would be slightly

**Table A2 : III**  
**Relative capital values for the sectors of Britain (£bn)**

	(1) <i>Net annual values capitalised</i>	(2) <i>Land values from this study</i>	(3) <i>Land values from rates ratios</i>
Domestic	272.4	239.7	239.7
Commercial	108.8	103.8	120.5
Industrial, warehousing, public utilities	45.7	28.4	40.3

high for Britain because the Scottish figures would be considerably lower than the average for England and Wales. Reducing them to 35% and 44% produces the following land value ratios between the sectors: housing to commerce, 1.99 to 1; commerce to industry, 2.99 to 1.

The soundest data available to this study were for the value of residential land, and we are fairly confident of our estimate for this sector. Applying the ratios to that estimate in column (2) of Table A2:III produces the commercial and industrial land value aggregates in column (3). These very broadly confirm the relative positions of the sectors in column (2), though they do indicate that the commercial and industrial totals may have been underestimated by this study.