

THE RECENT INCREASE IN LAND VALUES

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1. The Significance of Land Value Increase

The recent increase in land values is of immense economic and social significance, because of the intimate relation which exists between this phenomenon, and that most pressing of modern economic dilemmas,—the rising cost of living. Although the pressure of increased living costs is keenly felt on every hand, few people realize what an important part the increase of land values plays in the upward movement of prices.

Since 1896 prices have advanced unequally. Land values have apparently played a large part in this inequality. A study of retail prices shows that among food products, prices rose most rapidly in the case of meat, dairy products and cereals, which were derived directly from the land. The prices of raw materials show a like relation. Timber, grain, and other raw materials obtained directly from the land, have risen rapidly in price, while semi-manufactured materials have increased less rapidly, or have decreased in price.

The prices of those materials most directly secured from the land have risen fastest. Does it follow, logically, that the increase in land values has been more marked than the increase in the prices of the other factors entering into production?

A study of the cost of labor, capital, management, land and the changing cost of the chief items of expense in production shows that among all of the value increases reported during the past two decades, the increases in land values hold first place.¹ The cost of labor and of capital have increased only slightly in comparison. There is no parallel in any other field, to the advance in those land values upon which civilization most directly depends—timber lands, fertile agricultural land, and land in large commercial and industrial centers. The recent rise in land values has been little short of revolutionary.

¹ *Reducing the Cost of Living*, Scott Nearing. Philadelphia: Geo. W. Jacobs and Co. Chapters 8 to 15 inclusive.

It cannot fail to leave a profound impress upon the economic problems of the day.

The figures for land value increase are available chiefly for farm lands, city land and timber land.² Though the material in these three fields is far from complete, it is sufficient to give some idea of the extent of land value increases.

2. Farm Land Values

The facts pertaining to the increase in farm values are readily accessible. The Census Bureau, since 1850, has gone into great detail in its discussion of farm values. The censuses of 1900 and 1910 give a separate statement of the value of land and of the value of buildings on the farms of the United States. Previous to 1900, land and buildings were grouped together. The last two censuses therefore furnish the only figures showing the value of farm land separate from the value of the improvements on the land. For those two censuses, however, the figures cover the value of farm land over the entire country.

The figures of the thirteenth census show that, during the ten years between 1900 and 1910, the value of all farm land in the United States increased from \$13,058,000,000 to \$28,476,000,000. The percentage of increase is 118.1 per cent. Thus in one decade, the value of the farm land in the United States was more than doubled.

Every section of the United States shared in this farm land increase—the smallest rise in farm land value was in the Middle Atlantic States, 19.9 per cent. The greatest increase was in the Mountain States, 313.4 per cent. For the other sections of the country, the increases were:—New England States, 34.8 per cent; East North Central States, 82.0 per cent; East South Central States, 87.4 per cent; South Atlantic States, 109.3 per cent; West North Central States, 158.2 per cent; Pacific States, 166.5 per cent, and West South Central States, 184.8 per cent. The smallest increase in total value is reported from the New England States (\$98,673,621); the largest is reported from the West North Central States (\$6,159,683,640). Thus the increase in the value of the land in the West North Central States alone was equal to almost exactly half of the total value of all of the farm lands in the United States in 1900.

² "The Increase of American Land Values," *Popular Science Monthly*, November, 1913, pp. 491-505.

When the figures for farm land increase are analyzed by states, it becomes more apparent that the increasing values are sectional rather than general. For instance, among the New England States—New Hampshire, Vermont, and Massachusetts report increases in land value between 20 and 30 per cent; the increase for Connecticut was 37 per cent; for Rhode Island, 12 per cent, and for Maine, 75 per cent. The ratio of increase in the Middle States is less than that in New England. The figures for New York are 48 per cent; New Jersey, 33 per cent; Pennsylvania, 9 per cent. The increase for Pennsylvania is the smallest shown by any state between 1900 and 1910. The ratio of increase among the East North Central States varies from 45 per cent in Michigan, to 104 per cent in Illinois. The variations in the West North Central States are much greater. The increase in farm land value in Minnesota was 82 per cent, while in South Dakota, it was 377 per cent. Among the South Atlantic States—Delaware, Maryland, Virginia, and West Virginia report increases of less than 100 per cent in farm land values. Kentucky and Tennessee, from the East South Central group, and Louisiana from the West South Central group also report land value increases of less than 100 per cent. All of the other Southern States show increases of more than 100 per cent. In the lead are Florida, with an increase of 204 per cent, and Oklahoma, with an increase of 334 per cent. Only three among the Mountain and Pacific States report increases in farm land values of less than 200 per cent. They were Utah, Nevada, and California. The increase in farm land values in Colorado was 302 per cent, in Montana, 330 per cent; in Washington, 421 per cent; in New Mexico, 470 per cent; and in Idaho, 519 per cent.

These figures for increasing farm values take on additional significance when a comparison is made with the acreage of the farms. During the decade between 1900 and 1910, when the value of land in American farms increased 118 per cent, the total acreage of improved farm land increased only 15.4 per cent. Nowhere is the increase in the improved farm land acreage in any sense commensurate with the increase in farm land values. The New England States and the Middle Atlantic States, with increases of ninety-eight and two hundred forty-two millions respectively in farm land values, report decreases in the acreage in improved farm land. The decrease for New England was 10.8 per cent, and for the Middle Atlantic

States, 4.8 per cent. The East North Central States, with three and a quarter billions increase in farm land values, report an increase in improved farm land acreage of only 2.6 per cent; while the West North Central States, with their stupendous six billions of farm land increase (158.2 per cent), show an increase in the acreage of improved farm land of only 21.1 per cent. The increases in improved acreage for the other sections of the country are: South Atlantic States, 5.2 per cent; East South Central States, 9.2 per cent; West South Central, 46.5 per cent; Mountain States, 89.4 per cent, and Pacific States, 17.5 per cent. If these figures for increase in improved farm land acreage are compared with the figures given in the preceding paragraph, showing increase in farm land values, the differences are astounding. Values have increased far faster than acreage.

The census tables showing the increasing per acre value of all farm land, and of improved farm land, fully bear out the suggestions offered by the contrast between farm land values and farm land acreage. The value of land in farms is increasing far more rapidly than the area in farms.

A further analysis of the crop yields per acre fails to show any increasing yields for the increasing farm land values. Neither cereal crops nor meat products have greatly increased in the per acre yield, during the past ten years. Indeed, in a few cases, the per acre yield in cereal crops has actually decreased. Meanwhile the value per acre has been moving rapidly upward.

The elaborate census figures on farm land values are unavailable for comparison previous to 1900, because of the failure in earlier censuses to separate the value of farm lands from the value of farm buildings. The last two censuses, by making this separation, have made possible a statement of the phenomenal farm land value increase which occurred during the first decade of the twentieth century.

3. *City Land Values*

A scientific statement of the increase in city land values is impossible. During many years, persons interested in land taxation have been compiling individual instances of the increase in city land values.³ It is only within recent years that official figures have been

³ See, for example, *The A B C of Taxation*, C. B. Fillebrown. New York: Doubleday, Page and Co., 1912.

sufficiently definite and extensive to warrant even the most general conclusions.

There seems to be no question but that city lands, are, on the whole, increasing in value. The extent of the increase is suggested by the records which are available in that rapidly growing group of cities which publish separate assessments for land values and for improvement values. The figures showing city land value assessments are far from accurate. The failure to adopt any standard method of assessment has made comparison between the figures for different cities difficult or impossible. The best idea of the increase in city land values can be gained from an examination of the facts for a number of individual cities.

The most complete contemporary figures are published in the report of the Commissioners of Taxes and Assessments of the City of New York. A separate assessment of land and improvements has been made in New York only since July 1, 1906. At that date, the ordinary land value for Greater New York was \$3,367,233,746. On January 1, 1914, this land value had been increased to \$4,602,852,107.⁴ The tentative valuation for 1915 is \$4,778,836,786.⁵ During a period of approximately eight years, in which there has been no increase in the size of the city, the land values of New York have increased about one and a quarter billions—an amount equal to rather more than a third of the total land values for 1906.

The increase in the land values of New York City has been very unevenly distributed among the different boroughs. In the Borough of Manhattan, which reports more than two-thirds of the total land values for the entire city, the increase between 1906 and 1915 has been only about one-fifth; in the Borough of the Bronx, the increase is equal to three-quarters of the land values for 1906; in the Borough of Brooklyn, the increase has been slightly less than half; in the Borough of Queens, the increase has been almost four-fold; in the Borough of Richmond, it is slightly more than double.

The figures for Boston⁶ land values are available between 1889

⁴ Report of Commissioners of Taxes and Assessments of the City of New York, 1914.

⁵ Letter from the Department of Taxes and Assessments, October 19, 1914.

⁶ Annual Report of the Assessing Department for the year 1913. City of Boston Printing Department, 1914, p. 18.

and 1914. In 1889, the total land value was \$350,404,975, and in 1914, the value was \$722,736,200. The Boston land values have, therefore, doubled in twenty-four years. Between 1906 and 1913, the Boston land values increased about 12 per cent. While there has been no time at which the rise in Boston land values has been extremely rapid, there is no record of a year when the land values of the city have decreased.

The figures for Washington, D. C.,⁷ available between 1889 and 1914, show an increase from \$56,585,904 to \$169,212,099. This three-fold increase has occurred in the same period during which the Boston land values doubled. The rise in land values in Washington has been particularly irregular. In 1894, the land values were reported as \$112,830,383; in 1905, the values were \$118,912,580.

Buffalo reports a separation of land and improvement values from 1907 to 1914. In 1907, the total land value was \$164,693,675; in 1914, \$177,990,040.⁸ The increase in this case is negligible.

The land value figures for Milwaukee show an increase between 1890 and 1910, from \$52,385,960 to \$99,502,195. Since 1910, the assessments in Milwaukee have been made upon full valuation, instead of the former 60 per cent; hence the figures since that date are not strictly comparable.⁹

The land values and improvement values in Kansas City, Missouri, have been separated since 1891. In that year, the land values of the city were \$53,171,420; in 1914, the land values were \$72,176,920. The increase was thus approximately two-fifths of the 1891 land values.¹⁰

The records from western cities show more rapid rates of increase than those in the East. In Dallas, Texas, the city land value was \$16,477,225 for 1907; and \$51,996,900 for 1914.¹¹ The figures from Portland, Oregon, show a land value, in 1900, of \$39,512,150. The value for 1914 was \$54,832,600. In San Francisco, the land value in 1905, was \$304,135,385; for 1914, \$304,579,974. The figures for San Francisco are, of course, influenced by the losses due to the

⁷ Letter from the Assessor of the District of Columbia, October 20, 1914.

⁸ Letter from the Department of Assessment, Buffalo, New York, October, 1914.

⁹ Letter from the Tax Commissioner of Milwaukee, December 31, 1912.

¹⁰ Letter from the City Assessor of Kansas City, Missouri, October 24, 1914.

¹¹ Letter from the Commissioner of Finance and Revenue, October 22, 1914.

earthquake. On the whole, and with a few exceptions, it appears that the ratio of increase for city land values has been far less than that for farm land values.¹²

4. *Timber Land Values.*

A recent study made by the federal government has thrown considerable light upon the question of timber land values. For years, wholesale price lists have shown a marked increase in the values of lumber and lumber products. This rise in the price of the raw material is a striking reflection of the increased price of the land from which timber is secured.

The federal investigators encountered great difficulty in reaching definite conclusions regarding the increase in timber land values. One piece of timber land in a given locality frequently increased in value much more rapidly than another piece. The situation with respect to transportation facilities, the kind of lumber, the conditions under which the owner was willing to dispose of the tract—all had a marked influence upon the per acre value of the timber land.

Despite the impossibility of measuring accurately the average amount of the advance in timber land values, due to the extreme variations of "location, species, quality and stand," the federal report derives certain general statements which, while not applying to any one individual tract, bespeak the prevailing conditions over a considerable territory.

The men who compiled the federal report comment with astonishment upon the increase in timber land values, generally.

That the increase has been nothing less than enormous is recognized by the men most familiar with the business. In speaking of the rise of prices in the last twenty years, they refer to changes from 12½ cents to \$4 a thousand; from 10 cents to \$3 a thousand; from \$5 to \$20 an acre; 300 per cent in ten years; from \$1.50 to \$20 an acre; from 50 cents to \$3 a thousand. These figures are for southern pine. In cypress: from 15 cents to \$5 a thousand. In the Lake states men in the business similarly speak of increases from "no market value" (hemlock and hardwoods) \$4 to \$10 a thousand; from \$2 to \$6 a thousand (hardwoods). In the Pacific-Northwest similar general statements are made of rises in value, such as 15 cents to \$2.50 a thousand, 10 cents to \$2.50 a thousand; "no market value" to \$2.50 a thousand; 75 cents to \$2.50 a thousand.¹³

¹² Letter from the Assessor's Office, San Francisco, October 22, 1914.

¹³ *The Lumber Industry, Part 1, Standing Timber.* Washington: Government Printing Office, 1913, p. 25.

There is a widespread recognition among initiated timber experts of the immensity of the timber land value increase. The obstacles to an accurate estimate of timber land value increases are patent. Nevertheless, the federal investigators are willing to commit themselves to certain general propositions. Speaking in broad terms, and for the ten year period ending in 1907 or 1908 with the industrial depression, it seems that "the value of a given piece of southern pine taken at random is likely to have increased in any ratio from threefold to tenfold."¹⁴ Numerous instances were discovered where the increase was much more rapid than these figures show, as for example, when tracts which could be purchased in 1896 or 1898 at 10 to 15 cents a thousand feet upon the stump, had advanced twenty or even thirty fold in ten years. The figures from the lake region tend to show that

the general ratio of advance of timber values during the last ten or twenty years has probably been less than in the south. Perhaps the advance of any given tract, taken at random, in ten years from 1898 was most likely to be between two-fold and five-fold.¹⁵

Timber land values in the Northwest have increased about as rapidly as timber land values in the South. "A tract taken at random, is likely to have increased in any ratio from threefold to tenfold in the ten years ending in 1907 or 1908."¹⁶ The federal report indicates, however, that the proportion of extraordinarily rapid increases in land value "is probably greater than in the South."

The value of the land on which timber products are produced has increased with inordinate rapidity. Perhaps there is no single phase of the problem presented by the increase in land value where the cause of increase is more apparent than in the case of timber land values. Timber is universally used. The rate of use in the United States is said to be approximately four times as great as the rate of increase in supply. The result of this situation upon prices and values needs no comment.

Among all of the figures showing increases in land values in the past two decades, those furnished by the federal report and by

¹⁴ Ibid, p. 214.

¹⁵ Idem.

¹⁶ Ibid, p. 215.

private correspondence for timber lands stand out with remarkable distinctness. The increase in timber land values is without parallel in the present land value situation in the United States.

5. The Phenomenal Rise in Land Values

The land value facts at hand, covering all of the farm land of the United States, a number of representative cities, and the important timber areas of the country, indicate that the recent increase in land values has been nothing short of astounding. The phenomenon cannot be explained away. Neither the enthusiasm of local assessors nor the misdirected efforts of badly trained investigators would account for a condition so universal. American land values are rapidly rising.

Prices are increasing everywhere. Since 1896, price-increase has been omnipresent, yet no record of rising prices is so extreme as the record of the increase of the value of those particularly choice bits of the earth's surface which, because of favorable location or unusual fertility, are in great demand.

Whatever the validity of Malthus's theories, there can be no question that the increase in population is augmenting the pressure on the most desirable land in the community. The relation of increase in population to increase in land values is intimate. Each twelve-month witnesses the addition of more than two million people to the population of the United States. Meanwhile, the number of acres of first class wheat land and cotton land; the number of million board feet of standing timber; the number of tons of iron ore or coal still in the ground, and the number of desirable sites for commercial centers, either fail to increase, or, as in case of timber and mineral deposits, actually decrease. The amount of good land is fixed. The pressure of increasing population against the fixity of natural resources, results inevitably in rising values.

The lesson of the recent increase in land values is inescapable. Each passing year makes it more evident that the owners of the most desirable pieces of the earth's surface have a monopoly power which, intensified by each addition to the population and each progressive step of civilization, enables them to place an ever increasing tax upon the activities of the community.