# Speculative Disaster in Docklands

NIELS BUGGE: His A-Z zeal induced him to buy all the houses in three streets in London, alongside the Thames – banking on a long-running boom in the City.

ANALYSIS: Fred Harrison

PICTURE: Keith Hammett

NORWEGIAN land speculator Niels Bugge believed the propaganda: London's derelict docklands, just a mile or two east of the flourishing City, was the crock of gold at the end of the rainbow.

On October 18, the day before the stock market crashed, his three-acre site in Limehouse was valued at £10m. That is what it cost him, and there were plans to build houses and a health centre for the city yuppies who were pulling in over £100,000 for buying and selling shares with other people's money.

"This is the area of future prosperity," he predicted, as he cast his eyes over the disused warehouses on the edge of the River Thames.

After the crash, the value of that land is anybody's guess. Property companies that speculated heavily in Docklands were hurt more than most by the crash of '87.

Some good will come from the disaster if the policy-makers learn the lessons from history.

- A vast tract of precious land was allowed to decay into a wasteland for over a decade, their communities allowed to collapse through neglect. Existing land tenure and tax policies failed to pressure the property owners into adapting their assets to the new uses that would allow the local community to organically evolve new forms of economic activity, in order to preserve the vitality of the area.
- The Conservative Government's decision, in 1980, to force action through an Urban Development Corporation – a bureaucratic body with power to compel owners to relinquish land to others, if they did not want to use it themselves – encouraged developers to adopt projects that were singularly inappropriate for the needs of the capital.

The government's agency, backed by the big speculators and their agents, hyped the area with grandiose plans aimed at luring away some of the profits made by the financiers who worked next door in the City. This entailed large, expensive developments. The unemployed dockers and their families were squeezed out by the Big Boys who moved in with schemes for conference halls and yachting marinas for the corporations and the rich playboys.

Some speculators were going to "make a killing" – until the city crash. When that happened, the value of the shares of property companies that put most of their eggs in the Docklands basket suffered more than most.

NEILS BUGGE planned to borrow £150m in 1988 to invest on his Limehouse site. But in a space of two weeks his company, Jacksons Bourne End plc saw the value of its shares drop from 785p to 415p. Big Bang – the computerisation of the Stock Exchange – blew up in the faces of Mr Bugge and his fellow speculators.

Demand from the City for expensive homes and offices near the Bank of England has disappeared. Some financial companies are expected to close down and return to New York and Tokyo; a few had already started sacking employees before the crash. And that is why Mr Bugge's future is in the balance.

Said Robert Beckman, the American financial consultant who has long predicted a major economic crash: "We have had a

Continued on Page 9 ►

FELIX UGHAMADU on Nigeria's need for a vacant land tax

# Glittering prospects

**The State Governments of Nigeria are sitting on "gold mines" – the rising value of land, argues the author, who is a lecturer in estate management at Anambra State University of Technology. In the *Nigerian Herald* he wrote: " This 'gold mine' can be compared to a 'sleeping' volcano which can erupt anytime." In this article for *Land & Liberty* he argues that State governments ought to tap this revenue for investment in social services.**

IT IS THE duty of a responsible and progressive government to ensure that land, its most valuable resource, is carefully managed and utilised with maximum efficiency for the benefit of all generations.

Some basic social services are in danger of immediate collapse. Most state governments have been hard put to find the funds with which to meet even recurrent commitments. To stay afloat, state governments have had to borrow from domestic and foreign banks and the federal government. This is not to say that the funds are not there in the real sense, but that it has failed to tap revenue from vacant land.

Vacant land is different from other private real estate in the following ways:

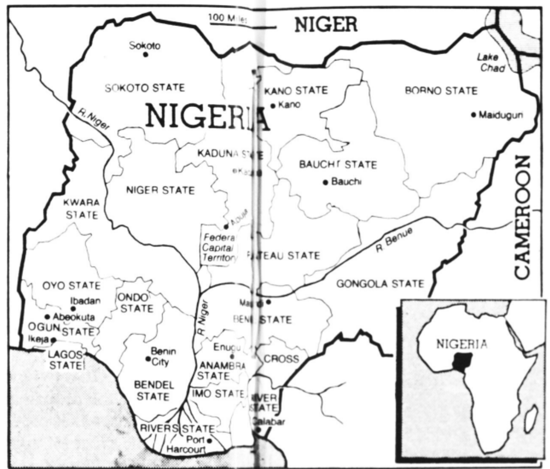
- Vacant land is the only private real property which produces nothing;
- The value of vacant land appreciates, thanks to social efforts: the land owner contributes nothing to this process;
- Vacant land is the only pivate real property which does not depreciate and requires no maintenance.

Vacant land causes unrest because its owners will one day enjoy unearned income, as prices rise. A tax on this land would prevent speculation and bring more land onto the market. This would increase the supply of housing and reduce housing prices. It would also stimulate the development of the construction industry and promote economic progress and prosperity.

FOR THE purpose of taxation in Nigeria, urban vacant land should be defined as private land on which the buildings and other improvements have a value less than the open market value of the vacant land.

Public services and developments enhance site or land values: hence the moral argument that these community-created values should be taxed.

The taxation of urban vacant land encourages new development, stimulates better land use, promotes the replacement of obsolete property and enables local authorities to obtain substantial revenue. Innocent investors lose millions of naira annually through property tax on




real estate, while speculators keep productive lands "idle" and thereby create unemployment. The result is that owners are encouraged to hold prime sites vacant and thus can capitalise on the growth of the community's need for space on which to work and live.

These speculative acts can be curbed by shifting the property tax onto urban vacant land. It is common practice to assess vacant land at a percentage of its open market value. In Enugu, a vacant plot of land measuring 18.29 × 30.48 m situated in Uwani sells for between Naira 30,000 - 45,000 in the open market.

If an urban vacant land tax of 5% on the capital value is applied, the government will realise between Naira 1,500 - 2,250 per annum. A plot of land is known to have been sold for over Naira 1m in Lagos and Kano and Naira 10,000 - 30,000 could be an average price in choice places of most urban areas in Nigeria.

Since vast areas in Nigeria are held vacant, even at the centre of most towns and cities, the urban vacant land tax would be an appropriate base for a property tax to aid economic development and generate revenue for the provision of roads, electricity, good drinking water, etc.

The owner of vacant land should be told to use his land within two years, and the owner of land on which the building is valued at less than the open market value of the land should be notified to alter, extend, or reconstruct his building within two years. An urban vacant land tax of, say, 5% of the market value of the land should then be applied in case of failure to use the land.

Obstacles that hamper the introduction of such a tax include: ineffective land administration and valuation systems, excessive politicisation of the exercise, absence of suitable appeal machinery for handling disputes, lack of qualified personnel, opposition from some property owners, and an unprogressive conservative government.

Urban vacant land tax should be pursued with all the zeal that it deserves. It is operating in the Ivory Coast, Kenya, Zambia, Denmark, Australia, United States, Taiwan, South Korea, Colombia, South Africa etc., with satisfactory if not startling beneficial results. Hence it can also work in Nigeria.



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◄ from Page 7

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