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RESIDENTIAL LAND PRICES

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THIS REVIEW of residential land prices is based on the evidence afforded by auction results of land sold with the benefit of planning permission for residential development. Both flat and house development sites are included, but sites with planning permission for one or two dwellings only have been excluded, as the prices realised are usually exceptional.

Auction price evidence is commonly regarded as being truly representative of open-market value—and the prices realised can be verified. It is fortunate that this reliable evidence is reasonably easy to obtain although the lack of it for certain areas and classes of development land can cause embarrassment in attempts to produce a comprehensive study.

The prices used in this review come from auction results published weekly in *The Estates Gazette,* supplemented by the results from the Midlands and the North which appear in the Rogers (Birmingham) publication *Under the Hammer.* Sale by tender, a process usually indicative of a high level of prices, has become more frequent in the past year and may, if it develops in popularity, mean less sales evidence for investigations such as this.

However desirable auction evidence may be, it can provide only a mere sample of the total of land transactions. It is for this reason that caution needs to be exercised when attempting to draw unequivocal conclusions from the figures in this review. Reasonable indications and trends there may be, but seldom are firm judgments forthcoming. In all, about 1,700 results have been analysed—650 of them for the years 1965/66, 600 for 1969/70 and around 450 for 1971. From these figures alone it can reasonably be supposed that in years of rapidly rising land prices—derived from and not the cause of a high level of house prices—more land comes on to the market.

The term "average price" in this review for any particular area is that price which can be found in the middle of a range of prices set out in order of magnitude, i.e., the median price. It is considered that the median gives a more practical assessment of the typical price and, unlike the arithmetical average, is unaffected by prices at the extremes of the range. This is an important consideration, bearing in mind that prices for any area nearly always vary greatly and often include a few record prices which make the arithmetical average unreliable as an indicator of typical price. An example can be found in the 1971 prices per acre for Lancashire, which vary from £4,166 to £45,000. The mid-point of this range gives the median price of £15,500 per acre. The arithmetical average, however, unduly influenced by two results of over £40,000 per acre, gives an untypical £29,500 per acre.

Median Prices and Price Increases

In previous reviews of residential land prices published in *The Estates Gazette* (April 11, 1970, at page 145, and March 20, 1971, at page 1348) it was necessary, in order to illustrate land price increases adequately, to allow an interval of five years between the periods compared. By using such an interval, rises were sufficiently large to measure by percentage comparison and to illustrate in diagrams. In this study however, the increases in price per acre and per plot in 1971 have been so abnormal in most areas that a reasonable comparison with the 1969/70 prices can be made. The number of 1971 auction results has also helped to provide sufficient evidence to calculate median prices for that year by itself.

Diagram I (over) shows the median prices per acre for 1965/66, 1969/70 and 1971. The prices per plot are illustrated in diagram II. Substantial increases can be noted in the London areas and Sussex for both acreage and plot prices, particularly between the years 1969/70 and 1971. The increases for the Birmingham areas, Hampshire, Somerset and Nottingham are more modest and of a regular nature over the years, in terms of both acreage and plot prices. The remaining counties indicate less regular increases. The counties which show the higher acreage prices are also those which have the higher prices per plot, and all can be placed roughly in the same order of price magnitude. Due to lack of acreage or plot sales evidence, it has not been possible, in every case, to include the same counties in both diagrams.

The increase in price per acre for the London 0-20 mile zone can, to some extent, be accounted for by

DIAGRAM I.

MEDIAN PRICES PER ACRE

	1965–66	1969–70	1971
	£	£	£
London 0–20 miles	21000	40400	69540
London 21–40 miles	11800	20600	43030
Birmingham 0–12 miles	14000	17250	24890
Birmingham 13–25 miles	8500	14000	20328
Cheshire	5366	13559	12857
Derby	4642	7440	7999
Devon	3400	3640	9166
Gloucester	8200	13207	11350
Hampshire	12400	20000	24792
Lancashire	7155	11875	15500
Leicester	6270	7083	11471
Lincoln	1000	3083	3191
Norfolk	2000	4700	4524
Nottingham	5115	6000	7300
Somerset	3120	6890	8739
Sussex	10000	16300	34491
York	4800	7105	7083

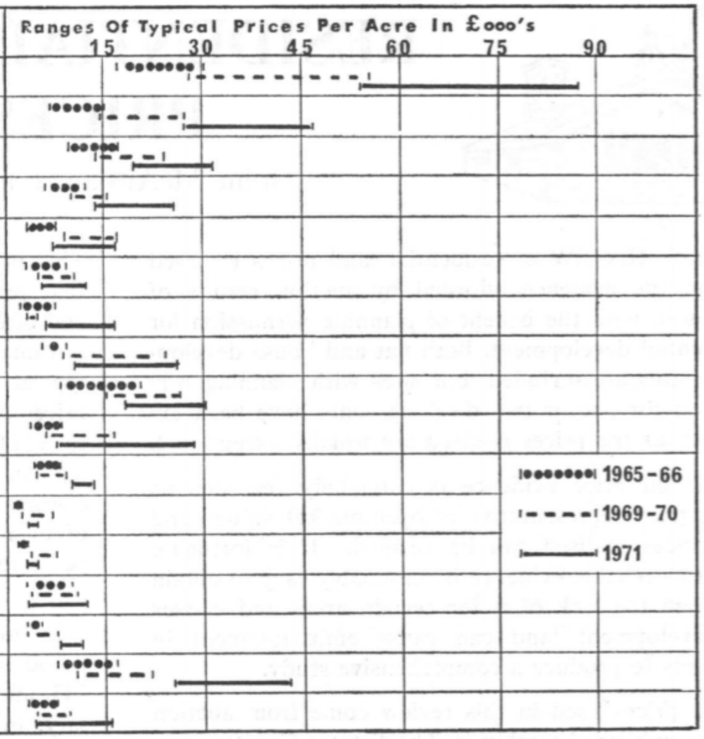
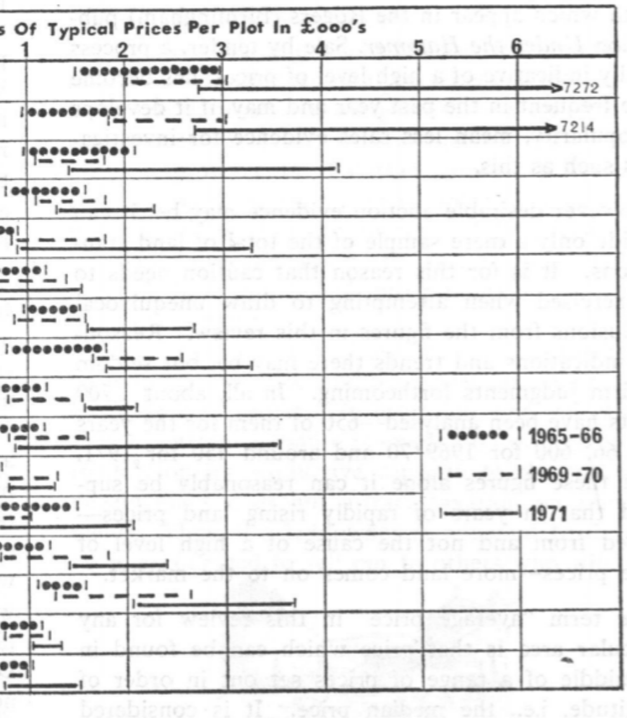


DIAGRAM II.

MEDIAN PRICES PER PLOT

	1965–66	1969–70	1971
	£	£	£
London 0–20 miles	1825	2400	5416
London 21–40 miles	1525	2400	4178
Birmingham 0–12 miles	1637	1520	2216
Birmingham 13–25 miles	1170	1200	2022
Cheshire	587	1270	2231
Derby	800	1257	1238
Gloucester	1381	1300	2200
Hampshire	1324	2166	2590
Kent	878	1300	2083
Lancashire	904	1117	1650
Norfolk	470	666	916
Nottingham	750	857	933
Somerset	845	1333	1750
Sussex	1270	1620	2907
Wiltshire	685	1181	1161
York	596	634	1105



Article and Diagrams reproduced with the kind permission of the Author and the Estates Gazette the increase in median density from 11 dwellings per acre in 1965/66 to 15 dwellings per acre in 1971. The density rating for the 21-40 mile London zone prices is about the same for the three sets of years reviewed. The density of the Birmingham results has changed as follows:

	0-12 miles	*13-25 miles*
1965/66	8 dwellings per acre	8 dwellings per acre
1969/70	14 dwellings per acre	13 dwellings per acre
1971	8 dwellings per acre	10 dwellings per acre

About 45 per cent of all auction results used in this review yield information of planning permission density. From these results it can be calculated that in general terms the overall median density for 1965/66 was from around six to seven dwellings per acre. The 1969/70 information shows a rise to around 10 dwellings per acre and the 1971 results show a similar density figure.

The overall median price increase for the counties reviewed can be expressed in median percentage rates per annum compound. These are as follows:

	Between 1965/66 *and* 1969/70 (4 *years*)		*Between* 1965/66 *and* 1971 (5/6 *years*)	
	Median	Typical Range	Median	Typical Range
Per acre	13%	5% - 18%	15%	10% - 21%
Per plot	8%	1.5% - 12%	11.5%	8% - 15%

As a comparison with these figures, it may be of interest to note that the Retail Price Index published by the Central Statistical Office shows a figure of 116.5 for 1966 and 153.4 for 1971, giving a rate per annum compound of 5.5 per cent over those five years.

Ranges of Typical Prices

A list of median prices alone would give only an incomplete picture of typical prices and price movements and also tend to give the false impression that there is only one figure worth considering for any one area. Prices vary greatly, as can be seen from the example of Hampshire, with its 1971 plot prices ranging from £500 to £5,100. The 1971 median plot price was £2,590, with the most typical prices in the range of £1,775 to £3,265.

Diagrams I and II also show the ranges of typical prices for each county. The prices are those which are between the quarter and three-quarter positions in each complete schedule of prices arranged in order of magnitude. As would be expected, the London areas show the greatest increases and widest range of prices. In fact the 1971 acreage price ranges for both London zones barely overlap those of the years 1969/70, and are well separated from those for 1965/66—an indication that only a few of the 1971 typical prices are also applicable to 1969/70 and that 1965/66 prices are about £20,000 per acre lower down the scale. This is not the case with the other counties, which because of their lower median prices also have narrower ranges of typical prices.

If the amenity value of each residential development site was capable of classification, and more sales evidence of a reliable nature was obtainable, then doubtless firm conclusions on prices and price movements could be drawn. However, in the absence of these desirable criteria the best has to be made of the evidence available, and the various limited analyses contained in this study, hence the need for care in drawing firm conclusions.

Tax Reform Gift to Landowners.

The Grand Rapids Press, U.S.A., April 16

SO-CALLED property-tax relief now appears inevitable in Michigan. Whether the property tax for schools is eliminated partly or entirely, and whether a flat-rate or graduated income tax is substituted for it are merely questions of mechanics. But a more basic question is involved, and it has received little attention in the whole debate.

That question pertains to the effect a marked reduction in the property tax will have on land values. The property tax as now levied in Michigan covers both the land and the buildings or other improvements on it. If the property tax is reduced as a whole - that is, on both land and buildings - the predictable effect will be to increase the value of the land and probably result in widespread land speculation.

Lester Thurow of the Massachusetts Institute of Technology estimates that the price of land in many urban areas will rise by more than 35 per cent, if property taxes are reduced. In the current issue of *Fortune* magazine, Carl H. Madden, chief economist of the Chamber of Commerce of the United States, observes that, "Any reduction in the property tax, as the tax affects the local value of land, is likely to be capitalized in the price of land, as has been done in Europe."

AND BETTER PRICES FOR THE BOARD!

BETTER potatoes for the housewife were promised yesterday when the Potato Marketing Board banned the packing of too small or too large potatoes by farmers and wholesalers.—*The Times,* April 26.