

## Land Value Trends in the United States

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### I

HAVE LAND VALUES PER CAPITA been declining in the United States since 1930? Some evidence seems to indicate that they have. Percy Williams seems to have come reluctantly to this conclusion.<sup>1</sup> Since such a conclusion is difficult for many followers of Henry George to reconcile with some of their traditional arguments, it is not surprising that Mr. Williams concludes his article with an invitation, directed particularly to Georgists, for explanations and for answers to six specific questions as follows:

1. Must changes in land values be studied in terms of constant rather than current dollars?
2. Do available data indicate that real per capita land values are falling or rising?
3. If they are declining, is this decline confined to urban land, or does it apply to all classes of land?
4. What conditions can cause a general decline in land values?
5. Are declining land values desirable?
6. Have Georgist influences contributed to declining land values?

Changes in land values should, by all means, be studied in terms of constant dollars. Otherwise significance of the data will be obscured by changes in the dollar itself.

Restricted data, inadequately analyzed, can be presented to "prove" that land values are either rising or falling. However, the data presented below show, I believe, that there is no general decline in real, per capita values of all classes of land, but only for central city, and this could be temporary.

These data do not show whether or not land values are rising or shrinking in relation to other forms of wealth. However, a statement by Martin Shannon, real estate editor of the Rochester (N.Y.) *Democrat & Chronicle*, is worth quoting in this connection. "In 1946 the average cost of a house lot in the Rochester area was \$1000 to \$1500. The house and lot together sold for \$12,000 to \$15,000. Today (January 1964) the average building lot in this area costs in the neighborhood of \$4,500; house and lot together in the \$20,000 to \$22,000 range."<sup>2</sup> In other words, the value of residential land in that area has grown during the past seventeen years from 10 to 25 per cent of the total cost of a home, or from 9 to 27 per cent

<sup>1</sup> P. R. Williams, "Are Land Values Rising or Falling?" *Am. J. Econ. Sociol.*, Vol. 22, No. 4 (October 1963), pp. 534-9.

<sup>2</sup> Rochester (N.Y.) *Democrat & Chronicle*, February 2, 1964, p. H1.

of the building or structure cost, a threefold rise. This growth has, of course, been in suburban areas.

Major forces tending to depress land values are (1) growth in technology which reduces the dependence of the economy on land, (2) rise in importance of alternate channels for speculative gain, such as stocks in companies which promise to grow through new technologies, government contracts, etc., which tend to reduce the speculative inflation of land values, and (3) pressure from organized or monopolistic labor which tends to counterbalance the pressure of monopolistic landownership on productive enterprise.

These depressive forces following the severe business depression of the Thirties effected an interruption in the historical growth of land values which was so apparent in Henry George's day. Indeed, these effects have been so pronounced that many economists today, who might have agreed with George fifty years ago, no longer regard land monopoly as a menace to our free society.

In general, declining land values are desirable since this discourages speculation in land and also implies that the income commanded by mere ownership of land is declining. If such a decline is due to a business recession, this is not desirable; but if it is due to increased sharing of economic rent with the State or to advances in technology which lessen the dependence of the economy on land, then it is desirable.

Much as I would like to believe that Georgists have contributed to these depressive influences, I doubt if they have been a significant influence, except perhaps in Pittsburgh. There the city does share more fully in its economic rent, due to the efforts of Mr. Williams and other Georgists.

## II

PERHAPS THE SIMPLEST WAY to determine if land values per capita are increasing or decreasing is to divide the value of all the land in the United States, expressed in constant dollars, by the population. The results of this approach, using land value data by Goldsmith as given in the *Economic Almanac* 1962, are as shown in first table.

These figures indicate that land values per capita in terms of constant dollars declined from 1929 to 1945 but since the Korean War (1954) have risen rather rapidly. More recent reports indicate that the tempo is rising even more rapidly today,<sup>3</sup> so that present per capita land values are about \$2600 in current dollars and \$2000 in 1947-49 dollars.

A study of "Taxable Property Values" made by the Bureau of the

<sup>3</sup> *Time*, March 13, 1964, p. 92, and *House & Home*, August 1960.

Land Values per Capita for the U. S.			
Year	Current dollars	1947-49 dollars	Per cent of 1945
1912	\$ 550	\$1310	120%
1922	850	1190	109
1929	940	1300	119
1933	640	1110	102
1939	680	1130	103.5
1945	860	1090	100
1950	1333	1290	118
1954	1470	1280	117
1956	1570	1350	124
1958	1800	1490	137

Census in 1957<sup>4</sup> was a major effort to determine the accuracy of assessment figures. The results of this study are startling. They indicate that values of real estate, and in particular of the land portion, are grossly underassessed and not at all precise. Assessed values of land ranged from as low as 8 per cent of measurable sales values in some of the notoriously "underdeveloped" states to as high as 58 per cent in New York.

Another study<sup>5</sup> of Dayton, Ohio, indicates that even greater underevaluation of land may actually exist. In the course of this study an incidental note was made of seven properties acquired for land only; buildings on them were promptly razed by the new owners. The data for these properties are:

Buildings	Actual Tax Values		Indicated Sales Prices	Assessed Value as % of Real Estate Land only	
	Land	Total		Real Estate	Land only
\$54,490	\$49,270	\$103,760	\$192,000	54%	26%

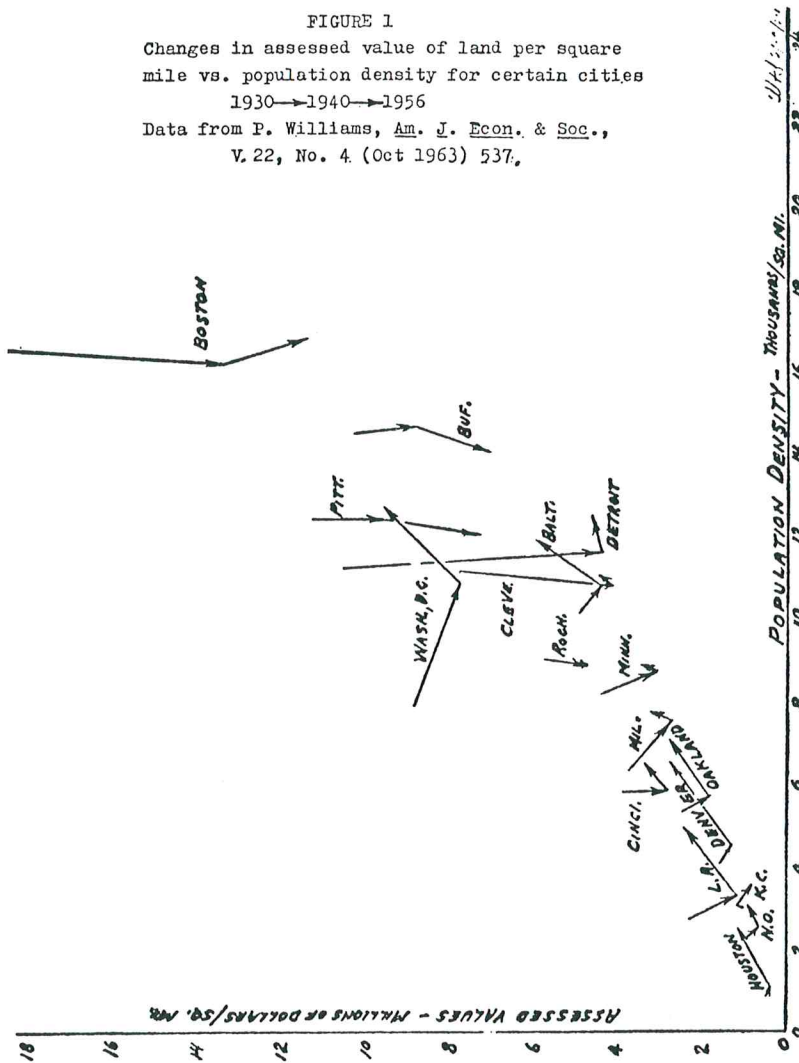
Observers of real estate transactions know of many such cases in which improved property is bought solely to acquire title to the land.

Using available data, three charts have been prepared to show trends in land values. In Figure 1 changes in values of central city land, derived from Mr. Williams' data, have been plotted as vectors of land value per square mile vs. population density. These vectors, which show the changes for specific time intervals, indicate, as Mr. Williams concluded, that a very marked drop in assessed values per capita occurred between 1930 and 1956 for central city land.

<sup>4</sup> "Taxable Property Values in the United States," Vol. V, 1957, Census of Governments, U.S. Government Printing Office.

<sup>5</sup> "Taxation and Urban Blight," Tax Study Advisory Committee, *Am. J. Econ. Sociol.*, Vol. 21, No. 4 (October 1962), p. 15.

FIGURE 1  
 Changes in assessed value of land per square  
 mile vs. population density for certain cities  
 1930 → 1940 → 1956  
 Data from P. Williams, *Am. J. Econ. & Soc.*,  
 V. 22, No. 4 (Oct 1963) 537.



This drastic drop in central city land values is easily explained. The sharp decline in property values due to the Depression was not fully reflected by assessment figures until 1940. The decline in values was prolonged by both World War II and the Korean War. And during the entire period from 1930 to 1956 the automobile opened up vast areas of rural lands to urbanization, in much the same way that covered wagons opened up western lands to previous generations, and simultaneous growth in agricultural technology reduced the acreage required for food production.

Between 1940 and 1956 the drop in land values continued in high population density cities, *e.g.*, Boston, Buffalo, Pittsburgh, etc., but began to reverse itself in those cities which contained much undeveloped rural land within their boundaries.

If these explanations are valid, then data for states, rather than for cities, should show a different trend. This appears to be the case for data presented by Stokes.<sup>6</sup>

PER CAPITA GROSS ASSESSED VALUATION, NEW ENGLAND

	1912	1922	1932	1939	1956
Me.	\$ 550	\$ 824	\$ 946	\$ 787	\$1268
N.H.	1007	1386	1452	1200	1916
Vt.	615	872	1225	986	1136
Mass.	1353	1429	1735	1434	1831
Conn.	881	1367	1933	1813	3412
R.I.	1068	1687	2079	2192	2854

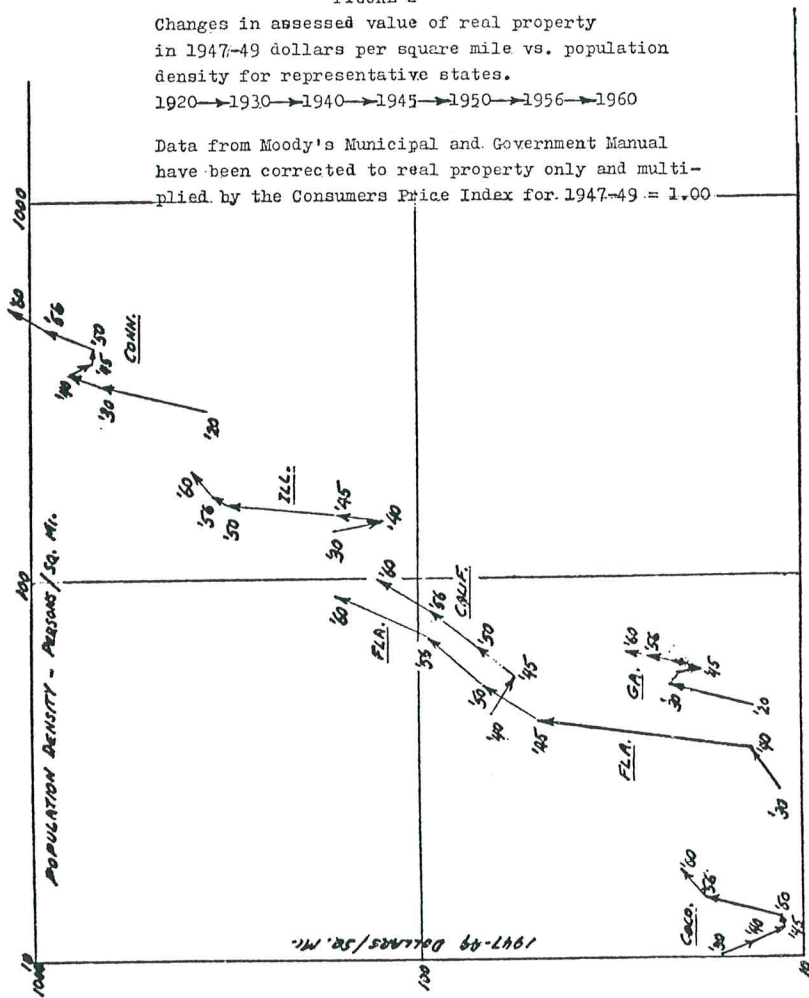
Not only should land values for states be more representative of all classes of land than land values for cities, but if data for states are also multiplied by the Consumer Price Index, the effect of changes in the purchasing value of the dollar should also be eliminated.

In preparing Figure 2, assessed values of real property for representative states, obtained from Moody's *Municipal and Government Manual*, were multiplied by the CPI for 1947-49. These constant dollar real estate values were then plotted as vectors of five-year intervals in real property values per square mile vs. population density. Log-log scales were used to compress a wide range of data onto a small sheet. Although real estate rather than land values were used, the ratio of land values to real property values was essentially constant at 0.30 to 0.27 between 1945 and 1958 as shown by Goldsmith's data in the *Economic Almanac*. Since

<sup>6</sup> C. J. Stokes, "The Property Tax Reconsidered," *Am. J. Econ. Sociol.*, Vol. 22, No. 4 (October 1963), p. 482.

FIGURE 2  
 Changes in assessed value of real property  
 in 1947-49 dollars per square mile vs. population  
 density for representative states.  
 1920 → 1930 → 1940 → 1945 → 1950 → 1956 → 1960

Data from Moody's Municipal and Government Manual  
 have been corrected to real property only and multi-  
 plied by the Consumers Price Index for 1947-49 = 1.00



the slopes of these vectors after 1945 are nearly all equal to or greater than 45 degrees, they indicate a general tendency for land values per capita in constant dollars to increase since 1945.

The final graph, Figure 3, while not showing trends or changes with time, will be of interest to students of land values. It shows estimated market values of land per square mile as a function of population density. The correlation, whether for cities, counties, or states, is remarkable. This type of graph should be a useful tool for estimating aggregate market values of land from population and land area data. The data employed in the construction of Figure 3 were derived from Volume V of the 1957 Census of Governments, hence this curve applies to 1956. Corresponding curves could be derived from a minimum of data for any other year.

An interesting application of this correlation is to estimate the total land values of the United States. The population density of the continental U.S. in 1956 was 56 per square mile. This corresponds to about \$95,000 per square mile, or a grand total of \$285 billion for the 3 million square miles in these 48 states. The corresponding figure in the *Economic Almanac* is \$274 billion.

### III

THE TOTAL VALUE of all stocks listed on the N.Y. Stock Exchange on December 31, 1956, was \$219 billion.<sup>7</sup> Since a high percentage of this value is based on land, it may be stated with confidence that the total value of bare land in the United States, some \$285 billion, greatly exceeds the total value of all structures, factories, and machines represented by all these stocks. It is, therefore, difficult to understand how some economists can believe that land plays only a minor role in our modern economy. More especially when one sees frequent instances of monopolistic pricing like a current one in Rochester where a landowner is asking the county (Monroe) to pay him over \$100,000 for a tract currently assessed for only \$2000, another instance comes from Ontario, Canada, where a recent mineral strike has sent land prices to fantastic heights.

Furthermore, the Georgist philosophy does not stand or fall on the proposition that land values must always rise. If growth of new technology, making possible more intensive use of land, is sufficiently rapid, it can reduce the dependence on land faster than population growth increases the dependence. The basic Georgist proposition is that land rent, about \$14 billion per year or 5 per cent of land values, is a socially created income, and when it is not collected by society for governmental expenses, an equal sum in punitive taxes on productive enterprise must be levied.

<sup>7</sup> *World Almanac*, 1958, p. 759.

In addition, are not "rights" to use television channels, air routes, to grow wheat and corn, to sell liquor and other legal monopolies also forms of economic land? If so, should not their values also be included in studies of land values?

Avon, N. Y.

FIGURE 3

