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URBAN LAND ECONOMICS

Fourth Edition

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B.Sc. (Econ.), Dip. Ed. (Oxford)

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I am the basis of all wealth, the heritage of the wise, the thrifty and prudent.

I am the poor man's joy and comfort, the rich man's prize, the right hand of capital, the silent partner of many thousands of successful men.

I am the solace of the widow, the comfort of old age, the cornerstone of security against misfortune and want. I am handed down to children, through generations, as a thing of greatest worth.

I am the choicest fruit of toil. Credit respects me. Yet I am humble. I stand before every man, bidding him know me for what I am and possess me.

I grow and increase in value through countless days. Though I seem dormant, my worth increases, never failing, never ceasing, time is my aid and population heaps up my gain. Fire and the elements I defy, for they cannot destroy me.

My possessors learn to believe in me; invariably they become envied. While all things wither and decay, I survive. The centuries find me younger, increasing with strength.

The thriftless speak ill of me. The charlatans of finance attack me. I am trustworthy. I am sound. Unfailingly I triumph and detractors are disproved.

Minerals and oils come from me. I am producer of food, the basis for ships and factories, the foundation of banks.

Yet I am so common that thousands, unthinking and unknowingly, pass by me.

I am land.

Lou Scott, *What is Real Estate?*

Contents

	<i>Preface to the First Edition</i>	xii
	<i>Preface to the Second Edition</i>	xiv
	<i>Preface to the Third Edition</i>	xv
	<i>Preface to the Fourth Edition</i>	xvi
	<i>Acknowledgements</i>	xvii
PART I	WELFARE AND ECONOMIC EFFICIENCY	
1	Economic Efficiency Through the Price System	3
	1.1 Welfare and economic efficiency	3
	1.2 Conditions necessary for Pareto optimality	4
	1.3 Achieving the conditions of economic efficiency	9
	1.4 Conditions necessary for economic efficiency through the price system	12
PART II	REAL PROPERTY	
2	Characteristics of the Real Property Market	19
	2.1 Is there a real property market?	19
	2.2 The efficiency of the real property market	22
3	Functions of the Real Property Market	26
	3.1 Dealings in real property interests	26
	3.2 Functions of the real property market	27
4	The Pricing of Land and Land Resources	33
	4.1 Land as a whole	33
	4.2 The commercial rent of land	34
	4.3 The pricing of land resources	38
	4.4 The dominance of stocks over flows	39
5	Investment in Real Property	45
	5.1 Investment characteristics of different interests in real property	45
	5.2 Investors in real property	50

5.3	The overall level of yield on investment assets in general	54
5.4	The pattern of yields on different assets with particular reference to property assets	56
5.5	Asset yields over time; an empirical study	60
5.6	The effect on the real property market of the demand for land resources as an investment	65

PART III DEVELOPMENT

6	The Development Process	71
6.1	The nature of development	71
6.2	Problems of the developer	73
6.3	Choosing between capital projects	76
6.4	Estimating demand	82
6.5	Optimum construction outlay	86
6.6	The intensity of site use	88
6.7	The amount which can be paid for the site	89
6.8	The choice of development project	92
7	The Timing and Rate of Redevelopment	93
7.1	The timing of redevelopment	93
7.2	The rate of redevelopment	97
8	Finance for Development	102
8.1	General considerations	102
8.2	Short-term finance	104
8.3	Long-term finance	106
9	Comprehensive Redevelopment	112
9.1	The nature of comprehensive redevelopment	112
9.2	Comprehensive redevelopment by private enterprise	113
9.3	Redevelopment by the local authority	115
9.4	Partnership arrangements between local authorities and private developers	116
10	Public-sector Development: Cost–benefit Analysis	119
10.1	The functions of cost–benefit analysis (CBA)	119
10.2	The principles of CBA	121
10.3	The problem of distributional effects	127
10.4	Adjusting market prices	128
10.5	Pricing non-market goods	130
10.6	Dealing with spillover effects and intangibles	134
10.7	Choosing the appropriate discount rate	137
10.8	An appreciation of the role of CBA	141

	10.9 Cost-benefit studies of the New Covent Garden Market	144
11	The Economics of Planning Controls	147
	11.1 Introduction	147
	11.2 Externalities	149
	11.3 The rationale of planning controls	154
	11.4 The impact of planning controls	162
12	The Construction Industry	166
	12.1 The nature of the construction industry	166
	12.2 The conditions of demand and supply in the construction industry	168
	12.3 Pricing the product	172
	12.4 The structure of the construction industry	175
	12.5 Builders' merchants	177
	12.6 Labour	180
	12.7 Productivity	182
	12.8 Mechanisation	182
	12.9 Innovation	186
	12.10 Mass production	189
	12.11 The current situation and prospects	193
PART IV	URBAN LAND USE	
13	Land Use and Land Values	197
	13.1 Introduction	197
	13.2 Transport costs and location	199
	13.3 Factors determining urban land use	202
	13.4 Government policy	206
	13.5 A generalised presentation of location choice	209
14	The Pattern of Urban Land Use	215
	14.1 Application of the Von Thunen model	215
	14.2 Theories of urban structure	223
15	The Growth of Urban Areas	229
	15.1 Theories of urban growth	229
	15.2 The urban hierarchy and central place theory	235
	15.3 Optimum city size	238
	15.4 The problem of 'overspill'	240
	15.5 Green belts	243
	15.6 New towns	244
	15.7 Expanded towns	247

16	The Quality of the Urban Environment: Problems of Urban Areas	250
	16.1 Urban decay	251
	16.2 Pollution	258
	16.3 Conservation	263
	16.4 Urban traffic	268
17	Housing	278
	17.1 The provision of housing through the price system	278
	17.2 Housing policy	281
	17.3 The economics of rent control	285
	17.4 Rent control and changes in tenure distribution	288
	17.5 The 1979 policy watershed	293
	17.6 The impact of Thatcher policies on tenures	298
	17.7 The collapse of the housing market	307
18	Regional Policy	312
	18.1 The regional problem	312
	18.2 The location of industry in its regional context	314
	18.3 Theories and models of regional growth	318
	18.4 Government policy	321
	18.5 Urban regeneration	327
	18.6 Regional policy in the context of the EU	329
PART V	THE GOVERNMENT AND LAND RESOURCES	
19	The Impact of Government Economic Policy Objectives on Land Resources	333
	19.1 Introduction	333
	19.2 Stability of the economy	334
	19.3 The policy of land nationalisation	338
20	Theory of Urban Public Finance	341
	20.1 The provision of goods and services by the public sector	341
	20.2 Public-sector expenditure	344
	20.3 Financing public-sector services	345
	20.4 User-charges	346
	20.5 Taxation	350
21	The Incidence of Taxation on Land Resources	357
	21.1 Introduction	357
	21.2 General direct taxation and land resources	358

	<i>Contents</i>	xi
21.3	The application of VAT to real property	363
21.4	Local property taxes	365
21.5	Present finance of local government	373
21.6	The future of local finance	376
22	Recent Developments	378
22.1	The property market: from boom to collapse	378
22.2	Repercussions of the property collapse	383
22.3	The EU and the property industry	389
	<i>Recommended Reading</i>	394
	<i>Index</i>	397

Preface to the First Edition

In recent years much attention has been directed to the nature of our environment in its various aspects – town planning, adequate open spaces providing recreational and cultural facilities, housing, inner-city decay, pollution, noise, architectural harmony, conservation, and so on. Our environment today is the result of a combination of economic, sociological, aesthetic and political influences. This book concentrates on the economic factors which have to be taken into account. While it recognises the importance of the other influences, its central theme is that, instead of economics being relegated to a secondary role often called upon to appraise and analyse only after basic decisions have been taken, the economist should be integrated into the decision-making process from the beginning, for his approach is of vital importance.

Since land and buildings are scarce resources, it is essential that they are used as efficiently as possible. This is the starting-point of the economist, and his task is, by applying economic analysis, to formulate principles necessary for the efficient use of land resources and thereby to suggest ways in which the existing allocation might be improved.

Thus the book follows the accepted procedure of first building abstract models, from which are derived the essential conditions for the efficient allocation of resources, and then proceeds to examine the assumptions which are essential for this most efficient situation to be achieved. Using this theoretical analysis, it goes on to consider how, in the British context, the conclusions derived from the model can be applied to the allocation of real property resources – land and buildings.

In Britain's mixed economy real property resources are mainly distributed by market forces. Initially, therefore, the book examines the market solution, its strengths and weaknesses, both in the way in which it functions and the institutions through which it works. Subjects covered are the nature of the market, the determination of real property prices, investment in real property assets, property development in both the private and public sectors, the construction industry and housing policy.

While passing references are made to possible government adjustments to the market solution, the main discussion of government policy is reserved for the final chapter. This considers the impact on land resources of government macro policy and the strengths and weaknesses of influencing the allocation of resources through taxation and subsidies, planning controls and public ownership. It must be emphasised, however, that the economist can only define the economic issues involved. For instance, he is limited in what he can say about the redistributive, sociological, aesthetic and even the political effects. Different strategies have different economic results – and while the economist can indicate these, the final choice of policy must rest with the politician.

Although the emphasis is on theoretical economic analysis, the discussion is made as practical as possible by being conducted in the context of the real property market in Britain and by being supplemented by empirical studies and selected statistics.

The main aim of the book is to provide a text for the student following courses in estate management, surveying, valuation, town planning, housing administration, geography and environmental subjects. While it does assume some knowledge of basic economic theory, this is no more than is required for most first-year courses for professional examinations. But the book should be of interest to those already actively engaged in professions relating to the land, in that it demonstrates how economics can provide a useful tool in the solution of practical problems. More hopefully, where decisions are subject to or are influenced by politicians or public administrators, it is trusted that what economics reveals may cause them to reflect on the full implications of their selected policies.

Of the many people – fellow-lecturers and students – who have contributed to the ideas expressed in this book, the outstanding influence has been the late Professor F. G. Pennance, a pioneer in applying economic analysis in the field of land use. He is remembered as a true friend and a wise counsellor, always encouraging, suggesting improvements and offering penetrating criticism and alternatives, backed by a sound professional training and long experience in teaching. Many past students of the College of Estate Management, the University of Reading and the University of Aberdeen who had the privilege of attending his tutorials must, like me, now appreciate the contribution which sound economics can make to the principles which should guide the improvement of our environment.

J. H.

Preface to the Second Edition

The scope of the book, as reflected in its new title, has been extended to cover the syllabuses of the main professional bodies and degree courses in land and property economics. Eight new chapters deal with the economics of planning controls, land use and land values, the pattern of urban land use, the growth of urban areas, the quality of the environment, regional policy, the background to urban public finance and the incidence of taxation on land resources. In addition, facts and institutional changes have been brought up to date.

Ideas for improvement from many readers have been incorporated in this new edition, but I would like to acknowledge the particular debt I owe to Dr M. Oxley, Principal Lecturer, Leicester Polytechnic, for his careful reading of the proofs and his many helpful and constructive suggestions.

J. H.

Preface to the Third Edition

Facts have been brought up to date and recent changes in institutions have been incorporated in the text. But major changes in the UK economy have had pronounced effects on the real property market during the last decade; to cover these, I have considered that the most satisfactory course was to provide an additional final chapter (Chapter 22). Rather than ‘sit on the fence’, I have allowed some of my own views to intrude in the section on ‘the crisis in real property’.

J. H.

Preface to the Fourth Edition

In this edition, facts have been brought up to date and the text revised to cover recent changes in UK institutions and government policy.

However, since the approach is still basically the application of economic analysis to urban land problems, overseas students should have little difficulty in relating the theory to the institutions and conditions peculiar to their own country.

Chapters 17 (housing) and 22 (recent developments) have been extensively re-written.

In general more emphasis has been given to the extent to which current government policy with regard to the problems of urban areas conforms to economic theory.

J. H.

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