

Site Prices: Out of Sight

by SYDNEY MAYERS

A NEWS dispatch from London reveals that prices of residential building lots in England have doubled since 1963; and the average London price is \$75,000 an acre, five times the national level. Meanwhile, back in New York (reports *The Times*), office building sites have been put together in recent years at costs ranging from \$200 to \$500 a square foot, those on Third Avenue and Avenue of the Americas, where most new construction is taking place, running upwards of \$400 a square foot.

Though such astronomical land prices are clearly stimulated by inflationary speculation, they nevertheless logically reflect the pressure of intense demand for severely limited areas. Since there is just so much space in midtown Manhattan and in urban Albion, frantic bidding for the little that is available understandably tends to send prices soaring. Yet, after centuries of constantly mounting site values, one is still shocked at their never-ending increase. Unfortunately, few are shocked sufficiently to try to curb the skyward pace.

Natural economic law being what it is, the staggering rise in the cost of land is not confined to places like the USA's and UK's chief cities. Thousands of miles to the east a similar phenomenon prevails, on the island of Hong Kong. This tiny British crown colony has less space and, because of its unique status, more demand for land than London or New York. The result is predictable—but hold your hat!

A plot of 53,000 square feet, consisting of reclaimed land on the island waterfront, has been sold by the Hong Kong government to a company planning to erect a 50-story office complex. The price, which was set at an official auction, was \$45 million, or over \$800 per square foot. This establishes a record, but one may confidently anticipate that the record will in time be broken. Incidentally, and interestingly, the government's profit on the transaction amounted to 200 times its outlay, the cost of reclaiming the site having been about \$4 a square foot.

Whether it be London, New York, or another boom town, wherever speculation in land coincides with economic demand for that limited necessity of life, prices will be based on "what the traffic will bear." That excessive rents, privately collected, will follow inordinately rising land costs, is obvious. And the depressing effect on wages and interest that must inevitably ensue cannot but lead to ultimate catastrophe. All this, let it again be noted, arises from private land ownership and privately appropriated rent: causes that an equitable system of site value taxation would promptly eliminate.