The value of place

The Joseph Rowntree Foundation has just published a major report looking at poverty, wealth and place in Britain. Identifying no causes and proposing no solutions, the report surveys the scene and concludes "who is going to change this?" Here we present JRF with a briefing for a follow-up research project with change as its objective.

The social policy charity the Joseph Rowntree Foundation has just published a major report titled 'Poverty, wealth and place in Britain, 1968 to 2005'. The report – a spatially analysed survey of affluence – is a contribution to the 'overarching aim' of the charity "to examine the root causes of poverty and disadvantage and identify solutions".

In setting out the background to their work, the authors point out "there is a long history of studying the geography of poverty in Britain, although every so often the importance of that geography is rediscovered....In contrast the geography of wealth is rarely seen in work on Britain".

The authors set out "to produce a consistent data series of the levels of poverty by area in Britain [and] comparable area estimates for the wealthy". To the degree that they achieve this, it is done without reference either to "land" or to "location", or to the varying economic values which attach to those.

The report does point out that "national understanding of poverty and wealth tends to be largely aspatial. National debate tends to be concerned with the proportions of households that fall into each category at each point in time: how many households are poor or wealthy, just how poor are the poor, and what share of wealth do the wealthiest have?" – but – "there is another set of questions that are also important. Where do the wealthy and the poor live? Are they becoming more geographically mixed or more estranged from each other spatially as well as socially? Furthermore, where is poverty and wealth most strongly concentrated and most evenly spread? Where are the fewest and greatest proportions of households neither poor nor rich? We know that the geography of poverty does not change particularly quickly…but it is important to understand how it has and does change over time, and equally importantly how the geography of wealth develops." The authors and JRF leave it for others to answer that critical last point – how do places become poor or wealthy? – or, just how does 'place' develop value?

'PLACE' HAS value. It adds considerably to the cost of housing. Its relative cost undermines housing affordability. Estimates suggest 'place' adds typically from 30% (low-cost housing in highland Scotland) to over 200% (mid-to-high-end housing in central London) onto house price. Historical surveys suggest that accessing the value of 'place' has become increasingly more difficult over time: today the acquisition of 'place' is considered to be unaffordable for most.

'Place' endows benefits to those individuals and businesses who enjoy secure tenure of them. The value of those benefits is expressed through the housing and property market. The relative locational value of a 'place' reveals itself in the cost of accessing secure tenure of a site. The value which occupiers of housing put on their 'place' manifests itself in the element price of the land on which their housing sits. But that value is not intrinsic to the property: it is an added value, given to property by the presence of the surrounding community.

Good places cost more: less desirable places cost less. People pay more to live near good schools and transport; in lusher neighbourhoods, with greener parks; on cleaner streets, on which they feel safer; with easier parking; with better services.

However, although at present the capital cost of accessing housing – paid to the seller – includes an element for these relative benefits of 'place', the benefits themselves, in fact, are provided by the community at large (whether through the public or the private sector), and not by the selling houseowner. The benefits of 'place' are provided and paid for by the wider community – largely by the taxpayer. But current tenurial, taxation and market arrangements mean that accessing the benefits of any 'place' requires the paying of a capital premium to a seller.

The economic value of place is created not within any property but beyond it – created by the natural environment and the presence and economic activity of the wider community as a whole – not by property owners. Whilst housing's bricks-and-mortar has a cost of production, for which the seller must be paid, the same is not true of the benefits of 'place' – the cost of provision of which is borne by others. Yet the relative

Joseph Rowntree – Quaker, businessman and philantropist – was a keen supporter of the taxation of land values. He gave his money to establish the Joseph Rowntree Foundation stating in his trust letter "it would be quite suitable for large sums to be appropriated in this direction".

value of 'place' is capitalised into the selling price of a property – paid by the purchaser and received by the seller. This is "how the geography of wealth develops".

The value of place which is paid as a proportion of total housing cost can exceed two thirds and is rarely less than a quarter. It is a major element of the cost of accessing housing. If the element of housing cost attributable to 'place' could be disengaged from the capital cost of acquiring housing, then access to all housing – across the board – would become considerably more affordable. In addition, the social need to provide stigmatising 'affordable housing' – as a separate (and 'extra-market') category of housing provision – could be significantly reduced.

Recent policy proposals that seek to 'disempower' some part of the land element of housing cost suffer from several major shortcomings. One fatal flaw in all of them, arguably, is the elimination of the market's function to distribute – equitably and efficiently – the relative benefits of 'place'. Schemes envisage or employ one or other form of bureaucratic system of distribution on the basis of 'need'. Yet everyone, without distinction, equally 'needs' housing. Non-market solutions to housing problems, including and perhaps especially the problem of affordability, inevitably fail to address such issues and problems at root.

How might the value of 'place' be prevented from being capitalised into unaffordable prices, without removing the market mechanism that equitably and efficiently distributes the relative benefits of 'place'?

We propose a project which would investigate how the value of 'place' is connected to – and might provide a sustainable solution to – poverty and housing 'affordability'.

It would investigate and describe possible systemic failure of, rather than local problems within, the housing market as it is presently configured; consider whether such failure relates to the market's distribution of the economic benefits of 'place' between the individual houseowner and the community at large; explore the connections between these matters and the issue of housing 'unaffordabilty'; and examine to what degree market failure to distribute the economic benefits of 'place' contributes to housing 'unaffordabilty'.

'Affordable Housing' is generally considered to be a sub-sector of the housing sector as a whole. This proposed project would investigate the extent to which this is a misconceived reaction to the perception of the nature of the problem, based on a superficial analysis of the dynamics of the market. The project would seek to redefine the 'affordability' agenda.

Barker and now Dorling *et al.* opened several doors in this field, but have failed to clearly map the terrain which lies outside. The project would outline the economic terrain of 'place' and chart effects on 'unaffordability'. The project would seek to draw out new paths forward – beyond poverty and wealth in place in Britain. **L&L**

Putting a roof over our heads requires the government to acknowledge "how the geography of wealth develops"

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