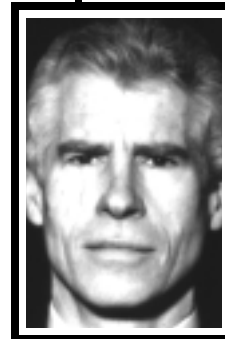


BRITISH GOVERNMENT BIAS AGAINST COMMERCIAL PROPERTY AND IN FAVOUR OF SUBSIDISED HOUSING

DON RILEY



I took advantage of the fine days last autumn to examine a number of the “new” housing developments in the capital. With commercial property frequently unsaleable at £30 to £50 per sq ft, i.e. at prices way below replacement value of say £120 to £150 per sq ft, the private or quango sector is again gutting commercial property, which escaped their clutches during the previous two recessions. Despite some councils publicly favouring commercial property retention (jobs not beds) it is relatively easy for developers such as London Buildings Group (Alaska etc.), Bellway (Leathermarket) or Manhattan Lofts to propose a mixed site development which consists of 80% flats. Those of us who actually enjoy refurbishing and then running businesses in older buildings are aghast at what is happening. Like a farmer who has kept his head, his barns and his hedges but sees his neighbours converting hay storage into units for town-ies, and who gets planning permission for agricultural cottages to be sold off, we can see the money to be made but are appalled at the destruction of reuseable workplaces.

Worse, even if we wished to buy out our greedy neighbours we can rarely compete with the housing mafia, because they specialise in the immediate paper profit they get from their ability to manoeuvre change of use through councils. Thus they can in most instances outbid the commercial developer or potential business owner/user.

Incidentally, the housing mafia are also taking advantage of the Department of Environment’s infamous Circular 909 and have already built housing estates on hundreds of former school playing fields throughout the UK. This sacrifice of youth development is even more wicked than the deliberate elimination of work places, and it is all part of the same cynical cycle of stealthy weakening of our national character, independence and self sufficiency.

Why are the financial cards so stacked against persons and firms who wish to see commercial property reused and what are the other factors which are hastening the demise of huge numbers of former offices, warehouses, factories and their yards and facilities?

SET ASIDE

Before attempting my own explanation as to why the deck is so stacked against commercial property owners and entrepreneurs — especially in the inner cities — I would like to explain about “set aside”. We all understand what this bonus means for farmers, but why does there exist at various times so much “set aside” commercial property?

Fortunately the daft idea that squatting in private residential property is a good thing because it makes available “set aside”, which greedy owners are deliberately keeping empty, has mostly not been applied to commercial property, except for instances like when

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new age travellers take over some poor unfortunates' unprotected land.

No, the owners of "set aside" commercial property would in most cases *like* it re-used, are having to protect it, maintain it and insure it and are often very interested in alternative business use, if the right opportunity or buyer or tenant comes along.

However, unlike the paper wealth that is conjured from getting planning approval for turning, say, 70,000 sq ft into seventy flats at an average size of 800 sq ft each, plus 10,000 sq ft of common area, the creativity and time required to fill the same area with businesses is colossal.

It has taken my firm, for example, fifteen years to turn around the same area of buildings in Southwark into used commercial space of from 500 sq ft to 4,000 sq ft, occupied by firms some of which we have created, and who together employ around 400 people.

Apparently, between us, we now pay to local and central government over £2 million per year in taxes — not bad going for space which at various times between 1979 and 1990 was empty, whose roofs leaked, and which had no heating or plumbing and so needed coaxing back into use, first for ourselves and then for others.

Why is it so rare for this success story to be repeated, given that I have regular requests for trial space of 300 to 500 sq ft from entrepreneurs who wish to have a go? I could also, again and again, let particular units of between 1,000 and 2,000 sq ft which have common features that businesses desire. If I can do it, why have only two of my tenants out of a hundred or more taken the plunge and bought their own buildings nearby?

"HELP"

Professor John Gray, professor of politics at Oxford has written of

"... the deep and enduring hostility to the culture of modern business that is still to be found in Britain's institutions. Business and industry are looked down upon as the source of wealth that is tainted by the profit motive. If we do not act quickly and decisively to modernise our institutions we face a swift descent into poverty as a nation."

Gray was referring to the University's rebuff to Wafic Said, who wished to endow Oxford with a school of management studies. But his words reflect the fact that a businessman will have more in common with a serious and difficult competitor than he will have with most representatives from universities or from central or local government, or with any one of their regulatory officers who "help" business, by slowing progress

with forms and rules, and with non-compliance backed up by threats of fines or imprisonment.

At various times in running my small business I have been "helped" by late export licences from the Department of Trade and Industry, held back by planning regulations, threatened with closure by Health and Safety Officers, by Fire Officers and by Public Health Officers, had awkward moments with Customs and Excise officials (export, import and VAT sections) and with the Inland Revenue (who wish to tax all major repairs to property as capital improvements), appeared in Court to extract engineers' vans towed away when legitimately parked, and been burgled by villains who are paid by the State to stay at home by day and defended as victims by subsidised solicitors when they have been caught. As I write this I am eagerly waiting for my copy of the Home Office's guide to "The Prevention of Illegal Working", which will enable me to balance the idiotic demands of the Commission for Racial Equality against this new law to protect our eager-to-work indigenous people from the illegals who enter from the EU.

I have worked in the UK in industry since arriving from New Zealand in 1962. I saw major industries being ruined, like the steel, shipbuilding and car industries during the sixties and early seventies through state intervention. But I could not have dreamt that the process would continue through the eighties and nineties, so that even the very *workplaces* would disappear!

THE WORKING-AT-HOME ASSUMPTION

The daft notions that can only take hold of those who are not running business are best illustrated by current obsessions, local to Southwark where I operate, but also prevalent elsewhere.

We are told that we shall all work from home in the future, like painters, poets or musicians. (I suspect that the pundits who say this include architects who have never lived in their own tower blocks.) There will therefore be no need for car parking at work, because we will not be going to work. There can be car parks for shopping centres and for council employees, but the stubborn few who try to hang on to offices with car parking are to be heavily penalised.

But will everybody want to work at home? Auberon Waugh thought that people liked living in towns because by going out to work they increased their chances with the opposite sex. Even painters need models to pose and usually prefer to work in studios near fellow artists.

OFFICIALS TAUGHT IN COLLEGES

The fact is that ordinary businesses of the kind that can work and create jobs in our old buildings are run

by the same types who have always run businesses. They are independent, imaginative, bumptious, aggressive, energetic (any pejorative will do) and they despise the officials just as did the builders who created the buildings in the first place.

The officials themselves, though, are vastly more numerous than in earlier times, and more cunning, self-serving, envious and suspicious of business than ever before.

In previous times these officials might at least have been recruited from the ranks of the trades they were to regulate. Nowadays they are merely trained in those colleges that Professor Gray referred to. Worse still, the courses they take, in such things as “Tourism Planning”, which will provide unlimited future scope for regulation, foreign junkets and more bumph, seminars and interference in the life of the community.

THE TOURISM OBSESSION

The alleged benefit to each community from tourism is a particular obsession with our local MPs and Councillors. Any area not already homogenised by visitors is considered not to be pulling its weight. Tourists bring in money, not just early plane noise. Locals can then enjoy regulatory scrutiny of toilets, visitor registers, pub measures, new signposting, bus parks and queues of orientals gaping at our quaint squalor and old fashioned ways.

But the jobs that are “created” in tourism are mostly numbingly boring and low paid, which not only encourages more regulation to protect the workers, but it also adds to the queues for subsidised housing and other benefits. Britain’s boast of faster growth and lower unemployment does not stack up when the jobs created are the equivalent of those created by Brits visiting Turkey or Sri Lanka! Apparently one half of all British households are now assisted in paying council tax and one third of those in rented accommodation claim local authority housing benefits.

In the businesses within my small circle the firms have, as I say, about 400 employees, and collectively in taxes of one kind or another, contribute an average of £5,000 per employee. *Typically a chambermaid or other tourist slave will barely earn £5,000.* Tour operators tell me that if workers were paid more, the fickle package tour operators would skip London! (I can’t wait.) *So these and similar jobs would not exist in the most expensive capital in Europe if we were not suckered into paying for them via living and housing subsidies and so contributing to our own steady demise.*

DEVELOPERS BIG AND SMALL

If you have read this far then you are probably wondering why, if business people are so smart, they are not fighting back. And what of these big developers you

hear about, who let stupendous developments exceeding 100,000 sq ft? You are both right and wrong.

It is estimated that over 80% of all office lettings are of a size under 4,000 sq ft and only 4% of lettings are over 10,000 sq ft. So whilst a few commercial developers look after themselves nicely by letting large office developments around Westminster and Victoria to the Department of the Environment or the Department of Trade and Industry, or Department of Transport, there are hundreds of smaller developers who try to work up smaller schemes that fit their idea of the market, for example, by converting a building into small serviced office units. These units can be as small as 100 sq ft and considerable skill is needed to manage and run these. And compared to twenty years ago, when a building might be let to one client for fifteen years, even a larger firm letting serviced offices today from London to Aberdeen, like London Work-space, might be collecting rents weekly and have to operate like a modern hotel, with smart cards for entry and for electricity and phone use. No matter how large are the offices or warehouses or workshops or factories that are carved up, the patience and effort required to develop and hold a client base of businesses in occupation is considerable.

COMMERCIAL RATING VERSUS ZERO RATED HOUSING

But the deck is not just stacked against the commercial operator by official suspicion and hostility to his efforts. If only this was the case.

After all, a businessman tries to think long-term and work around the setbacks I have described, and tries to develop — or pretend to — a thick skin, so that he or she can avoid reacting to the unremitting official hostility as something personal.

The commercial rating system is where the boot is really put in. A purchaser of an empty commercial building can be immediately responsible for rates which even if they are “empty” rates (i.e. half rate) can be from £3 to £10 per sq ft. So the potential owner of our 70,000 sq ft of redundant office space who intends putting it again to commercial use, unlike the residential mafia who get zero rating as soon as they get residential permission (on top of the immediate capital gain), has to fork out anything between £150,000 and £350,000 per year in empty rates before he has earned a penny.

This is the crux of the matter. Anyone attempting to recycle business premises, or just to operate them, may only be receiving £10 to £15 per sq ft in total rent, and after rates be left with only £5 to £10 if they’re lucky. This sum has to cover continued maintenance of the building and an element of return for the owner! It should be compared to the sum raised

on sale of a residential conversion: £100 to £200 per sq ft!

Little wonder that few yuppies are turning their talents to recreating commercial environments, when they see their contemporaries doing so well in the housing racket. Hard slog with commercial property and creating businesses is for the dim, when all the factors noted in my previous paper (*Kiwi Property Developer in London: Why The Government Should Get Out of Housing*, Personal Perspectives No. 8, Libertarian Alliance, London, 1996) are at work. The sensible plan is to avoid the hostile climate of business property and stick with pulling in safe percentages from ripping off the mugs in the house purchase racket, subsidised by government intervention.

THE SUCCESS OF THE HOUSING LOBBY

Since beginning this article, I have driven along Great Dover St, SE1 and seen the beginning of the transformation of the former Babcocks Building. By whom to what, you ask? By Berkley Homes into 700 units of student accomodation for Guys Hospital. Fair enough, but again, out for good goes workspace with parking and potential for twenty to fifty firms with two hundred to five hundred potential employees.

Any read of a sample of free glossy magazines by builders or estate agents will reveal the size and scale of the housing mafia's battalions. Despite handouts, Arthur Scargill was the leader of an unglamorous, shrinking industry and his impact was negligible on everyone except Ted Heath in comparison to the intensity, slickness, strength and success of the Housing Lobby. Since nobody of any nobility (Lord Robens excepted) wished to run a mine or even use coal as a fuel, Scargill's miners could not even hold onto a few hundred million a year in subsidies.

By comparison, it is prestigious and lucrative to run a Building Society or a Bank or an Estate Agency or a top House Builder or an architectural or conveyancing practice or a sinecure with a Housing Association.

This unpleasant grouping of selfish interests has found a new champion in the idiot John Gummer. He and his experts have fashioned a model of "expanding Britain". Not only are those of us who are not barmen or chambermaids to be working from home, but we are to be the products of divorce, single parenthood or remarriage rather than traditional families. Rather than call for the removal of state policies which encourage these selfish tendencies, our state funded experts project a housing model that forecast a need for 220,000 new housing units a year up to 2016! Hardly anyone has questioned the figures because of the excitement created for the housing mafia and by the greedy owners of "spare" land or inner city sites.

SUBSIDIZED HOUSING AND THE UNDERCLASS

Let me now forecast that this building programme, especially if it takes place during the next twenty years as is now proposed, will destroy every suburb, town or city involved. Encouragement of the new underclass of people who are not from traditional stable family households will ensure that every new unit of subsidised housing will have a queue of disfunctional human beings on its doorstep as the builders exit.

Suppose that only a quarter of all the new units are to be let or sold as "affordable" (i.e. subsidised) single housing, and the queue length is only four. (A housing association officer told me he thought ten was nearer the truth, but his view of human nature was more pessimistic than mine.) The number of units which the disfunctional will be fighting over will be therefore be 55,000 per year. So, human nature being what it is, we will now be creating 220,000 expectant human beings every year. *So the combined result of a lunatic social policy and a subsidised housing policy will be to create a new housing crisis each year, whereby either our own home grown or imported homeless numbers are expanded by 220,000 minus the 55,000 who get housed, equals 165,000, each year!*

Over this twenty year period the housing crisis caused by the Gummer initiative, coupled to the existing housing subsidies and state social policies, will create a further 3.3 million dependents! All these people will have been enticed into dependency by the Gummer "something for nothing" dream, that has already dropped so many Brits into the dependency culture. Only this time around, the dependent Brits will probably be outnumbered by their EC brothers and sisters who will prefer our odds of four-to-one in the housing stakes to their own twenty-to-one.

These hopefuls will of course all need "help" in Britain and having written this article I now conclude by forecasting that regardless of a Major or a Blair victory, the Gummer-encouraged housing mafia will have their way. *The result will be a catastrophic increase in our welfare budget, which I estimate will increase government spending by 50% by the millenium.*

If our state benefactors continue to fund our current social policies and we do not leave the EU, my estimate of a queue of four will be an underestimate, in which case so is my estimate of government spending.

For all these reasons I say:

**GET THE GOVERNMENT OUT OF HOUSING,
LEVEL THE INVESTMENT PLAYING FIELD AND
LET THE MARKET CREATE REAL, NOT DUMMY
JOBS.**