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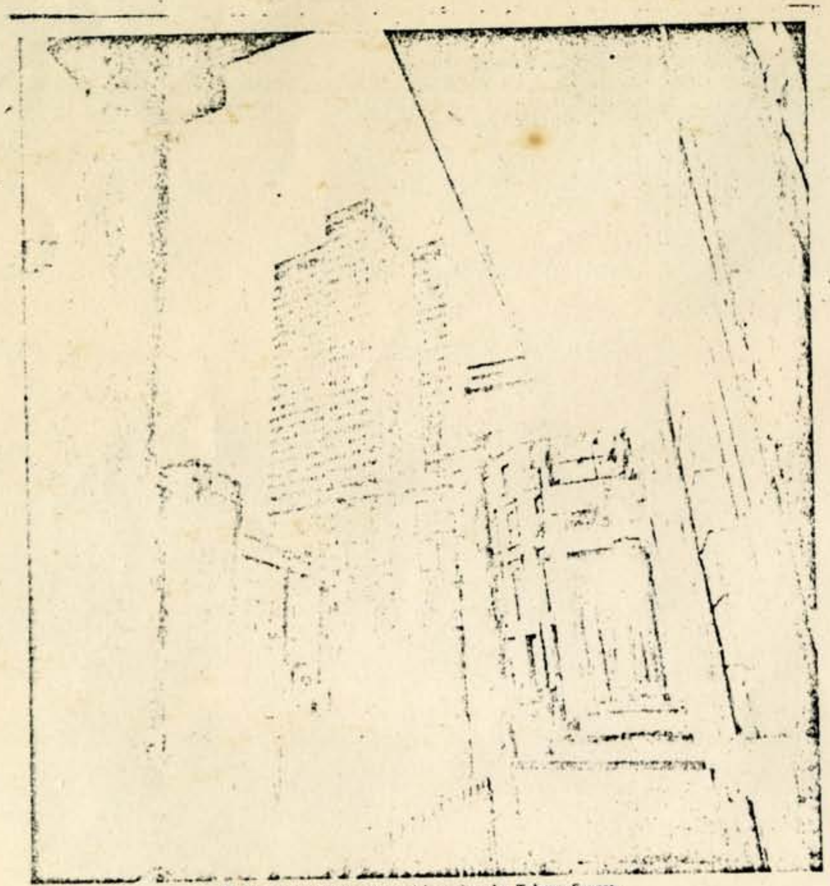

• The Euston Centre pictured from decaying Tolmers Square.

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THE BIG PROPERTY DOOM

"AT THE top of the pile 100 men have made over £400 million between them out of the property market over the last 20 years. Yet these are people who provide little or nothing of social value. At the bottom of the pile thousands of people have no homes and millions live in foul conditions."

This is the starting point for a controversial report, The Recurrent Crisis of London, published this week, which looks at the disturbing social and economic consequences of the current property boom.

Part one of the report looks at the winners. The small, tight clique of smooth operators who have made personal fortunes by replacing poor quality housing with gigantic, plush office blocks. It takes an especially close look at the activities of one of the most successful developers of all time—Mr Joe Levy and his Stock Conversion Investment Trust who built the £35 million Euston Tower.

Part two looks at the losers and the social consequences of property development: Those in the queue for council houses which will never be built; those in private houses whose rents are forced up while their homes are run down by landlords tempted to sell out to developers.

This section also adds some interesting notes on the reluctant complicity of many local authorities—including Camden—in assisting developers to extend their empires.

The report—its authors call it an anti-report—is the work of a group of eight young professional men with social consciences.

They have formed themselves into an organisation known as Counter Information Services (CIS) and this is the fourth in their series of anti-reports. Previous ones examined the activities of Rio Tinto Zinc, Consolidated Goldfields of South Africa and General Electric and were extensively quoted in the national press.

A spokesman for CIS told me: "Our aim is to provide a series of reports setting out the social consequences of the activities of major corporations. We don't try to provide answers to the problems we examine, we just want to provide ammunition for pressure groups, politicians, trade unionists and radicals to counteract the information put out by public relations men."

The report traces the first signs of the property boom back as far as 1937. Before that time no separate property section was listed by the Stock Exchange. Property companies were first listed the following year when they had a total market value of £103 million. By 1968 companies to the value of £833 million were listed; last year the total value of property companies had reached £2,641 million.

The bulk of the finance for expansion has come from banks, insurance companies and pension funds, loaned at fixed rates of interest and therefore avoiding the need for share issues and so limiting the number of people who share in the fantastic profits.

Ironically most of the people who save money through banks or pension schemes do so to protect themselves against inflation, but all the evidence suggests that the money they save is used to stimulate inflation.

Says the report: "The boom is self-generating as rising prices only tend to 'prove' that property values always rise, adding to its attraction as an investment."

As property prices increase those firms who can, merely pass the extra on to their customers in the form of higher prices for whatever they produce. Those who can't get away with a price increase (generally small manufacturers) have to leave London. Hence the loss of over 300,000 industrial jobs in Greater London over the past 10 years.

According to the report it is a carefully preserved illusion that there is a shortage of office space in London. Property developers go to great lengths to "manipulate" the supply of office space.

According to a GLC estimate in March 1972 there was a total of nine million square feet of vacant office space and 25 per cent of the floorspace permitted in 1963 had not been completed by the end of 1970.

Apparently firms maintain their rent levels by publicising those transactions that do take place at very high rentals and keeping quiet about the others.

Ironically, all the legal controls on office building designed to prevent the worst excesses of property developers only serve to bolster up developers' prices because the developer with the support of the financial institutions is able to manipulate them successfully.

In the absence of any regulation of property ownership well-intentioned conservationist activities and Government measures (the George Brown ban on office building, for example) only serve to assist the developers with their illusion that office space is in very short supply.

Finally, the attraction of property as an investment diverts funds that would otherwise be invested in industry and when this is combined with inflation it results in periodic economic crises—often blamed on excessive wages.

The report then looks in detail at the activities of one developer: The decidedly resistible rise of Joseph Levy—author of the £35 million Euston Tower.

In February, 1951 Joseph Levy's firm, Stock Conversion and Investment Trust, was valued at £13,353. In March, 1972 it was worth £43,339,000. So what happened?

The main, but by no means the only, clue to Levy's enormous wealth is the celebrated Euston Tower. Starting in 1956 Levy set out to acquire a site stretching for a quarter of a mile, between the Warren Street and Great Portland Street underground stations, along the north side of Euston Road.

It was absolutely essential that Levy kept his intentions secret for if anyone owning property in the area became aware of the enormous profits that would accrue to a single developer, they would demand a much higher price than normal.

For this reason Levy formed a "front" organisation to do the buying for him—a consortium of three estate agents who were paid a percentage above their normal fees.

Having eventually acquired the properties it was essential that the sitting tenants should be persuaded to leave. As the report says, "for the tenants 'redevelopment' meant simply the passing of the property in which they lived into the hands of a landlord who no longer wished them to live there."

The second part of the report examines the people on the receiving end of redevelopment — tenants of public and private housing.

By forcing up the price of land developers have made it difficult for local authorities to contemplate building council housing. The cost of land in central London can now be as high as £500,000 per acre and for a council to acquire land for housing in this kind of price range means that their whole income from council rents goes to pay interests on loans.

Camden is currently paying out in debt charges 10 per cent more than it receives in council rents.

The cost of land for council housing has been driven so high that in order to build houses some local authorities have struck bargains with the developers.

One of the most interesting examples of this is the proposed deal between Levy's Stock Conversion and Camden Council on the Tolmers Square redevelopment area. This consists of a 9½-acre site, much of which has been acquired by Stock Conversion. In 1970 an attempt by Camden to acquire much of the land by compulsory purchase was rejected by the Minister of Housing mainly because of the excessive cost of the land—at that time around £100,000 per acre.

By September, 1972, the cost of the land had soared to [illegible] an acre and so Levy and the council negotiated a deal—the company was to retain one acre of the site on which it was to build 250,000 square feet of office space and 120,000 square feet of industrial space; in return the rest of the land is expected to be sold to the Council at £200,000 an acre for 500 homes.

CIS estimate that the value of the completed offices will be worth £27 million to £33 million.

As a result the question has arisen as to whether public housing is any longer desirable. The authors of the report say that the Housing Finance Act introducing the concept of an economic rent into council housing is the best symptom of this new attitude.

In private housing also competition from property developers has meant that the only kind of housing worth building is at the sort of price which only the rich or upper middle-class can afford.

The authors of the CIS report rightly claim: "We have brought together in one dossier facts and analysis of the property market and how it works, on who owns London, the housing crisis and the planners' attempts to cope. We argue that all these problems are related and cannot be solved without a frontal challenge to the stranglehold of private property owners."

They have helped to start the ball rolling in what must surely become the most explosive political issue of the next decade.

— CHRIS MULLIN.