

The value of sites for dwellings is explained by the same principle, with similar complexities and similar apparent anomalies. Sometimes such sites have intrinsic advantages—broad and sunny streets, frontage on parks and open spaces, convenience of access. But often the advantage is purely factitious. Nearness to one's kind is in many cases alone sufficient to explain the demand for some spots. Crowded, noisy, and unhealthful city streets attract the working classes more than quiet lanes in the country. At the other end of the social scale, among the well-to-do, and most of all among the very rich, snobbish differences tell enormously. Certain streets are resorted to by those who have social distinction. Thither flock all who yearn for such distinction—a great and growing multitude—and sites believed to be proper for the select are paid for at rentals limited only by their incomes. The very cracks and crannies of fashionable districts, narrow side streets and dark back rooms, when touched by this potent charm, command high rentals, notwithstanding their intrinsic unattractiveness.

59. During the past few years a great deal of property development and building activity have been pursued in the principal centres, as the outcome of the growth of population and the expansion of commerce; for example, a particularly marked development has taken place in Wellington in recent times. In some of our principal cities street-widening and town-planning have had a notable effect. Often the contour of the neighbourhood makes for a dearth of suitable business sites within a convenient radius, and the result is that land-values in the favoured localities have been enormously enhanced within the last decade or two. We also find that the building of new premises and the renovation of old ones have proceeded apace. In some of the towns many of the old landmarks, in the form of antiquated and inconvenient buildings, have disappeared and been replaced by many-storied and commodious edifices, offering to the occupiers an additional measure of the amenities and conveniences of the present advanced age.

Once these forces of development and expansion are set free, they become almost irresistible for a time, until finally checked by the operation of opposing economic forces, when a halt has to be called. Whilst the activity proceeds the owners of old buildings are obliged to join in the general development schemes. Such persons must either extensively renovate and remodel their existing buildings, where the condition of them warrants and permits of such a course being carried out, or, failing that, demolish them and erect new ones in their place. Premises beyond the immediate needs of the owner in his own particular business must be let or otherwise utilized in order to provide a return on the capital invested in them. Here, as elsewhere, after making due allowance for the time required for the development of the full results of changed conditions, it will be seen that the principles of supply and demand operate, and, once the point of satiety in accommodation is passed, the law of diminishing returns makes its operation distinctly felt. "Even in the case of urban lands the same law (*i.e.*, diminishing returns) applies. The fertility—that is, the productive service—of certain lands consists in yielding support to buildings. It may, indeed, be profitable to replace a tent by a wooden shanty, a shanty by a stone building, and perhaps even a stone building by a steel skyscraper. Obviously, however, at a given moment there will be a point beyond which a more expensive structure will not yield proportionate returns." This is exactly the position in some of our larger cities to-day. As a result of the extensive building activities during the past few years, to which I have already made mention, there is a decided over-supply of accommodation for shops, offices, and warehouses, and in sympathy with this a tendency for rents to fall. An extract from a recent New Zealand report on the subject bears this out:—

Rental values of suburban properties that soared during the house-shortage have now receded to a more normal standard and show a decline of approximately 15 per cent. . . . City rents for the larger type of residence suitable for subletting purposes are stated to have remained firm, while shop rentals both in the city and suburbs are showing an easier tendency. A good deal of the suburban development which has taken place has been assisted by Government finance. In the city several imposing buildings have been completed during the year, and foundations for additional ones are well under way. The demand for office and warehouse space has been well supplied, probably a little in excess of the demand; but there is no doubt that this will be absorbed within a reasonable space of time. Many new business premises have been completed, and a number of the old shops modernized; most of them are occupied by tenants, in some cases at a slight reduction on past rentals.

This diminution in the rentals which can be obtained is particularly unfortunate for owners at a time when the burdens of taxation, &c., have been materially increased.