

The economic effectiveness of economic land supply policies

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IV WPSC – Rio de Janeiro – July 2016

Track 17: Economic Development and Planning in Moments of Crisis

Statement of the problem and objectives

Land policies that aim to supply land on the industrial and commercial land markets are common in many regions and states. These policies generally take the form of public developments where the authorities develop economic estates to accommodate businesses. These land supply policies are based on the argument according to which the availability of land – cheap if possible – is an essential factor in territorial attractiveness and competitiveness. The research subject developed in our proposal originates from the discrepancy between this argument and the scientific literature devoted to regional development. Indeed, unlike elected representatives and economic development agencies, scholars active in the field of regional sciences only very rarely refer to the impact of the land markets on levels of development. Rather than focusing on the theme of land prices and land availability, regional scientists underline the importance of intangible factors such as innovation, entrepreneurship, education, integration into networks, etc. In view of this difference, we consider it useful to assess the economic effectiveness of land supply policies by defining the true role of industrial and commercial land availability and prices in relation to economic development. Assessing the appropriateness of generous planning policies concerning economic land is all the more important since these policies are emphasised in moments of crisis and difficult economic contexts. Moreover, assessing land supply policies is necessary due to their impact on the urban sprawl of economic activities.

Our presentation will be structured in four parts. In the first part, we will briefly develop a reflection on the literature devoted to links between the commercial property markets and regional development. This reflection emphasizes the limited availability of research on the links between development and land supply in economic land.

Methodology and main results

The second part of the presentation will be devoted to a comparative analysis of seven countries in Northwest Europe. This assessment is based on statistical studies aiming to analyse the relationships between land consumption for economic estates and levels of development. This analysis allowed us to identify three regional profiles. First of all, there are the main “metropolitan” regions, where land availability only plays a marginal role, most likely owing to the presence of numerous activities that are not very extensive spatially, yet very productive in terms of added value. Secondly, there are the “intermediate regions”, where the availability of industrial and commercial land has a real impact on development. However, the statistical results tend to show that the effective impact remains limited. In reality, it would appear that the profile of these regions is adapted to the presence of activities which, like logistics, generate a limited amount of jobs and added value per surface unit. Thirdly, there are the “predominantly rural regions”, where the opening of land to urbanisation does not deliver the desired results. Indeed, our results indicate that the development agencies in these regions offer all the more land since the region is lagging behind in terms of development. This is unquestionably a case of ineffective land policies that require readjustment. In reality, these policies ignore the fact that the availability of land is not a sufficient condition for economic growth and job creation.

The third part of the presentation will investigate the impact of land prices on company property costs. This part of the research is based on accounting data of 469 firms active in Belgium. Results show that their property costs are rather low. On average, they represent 1.5% of all their operational costs and 6.5% of their added-values. By contrast, labour costs are eight times higher! These results tend to invalidate the hypothesis that low land prices are a key determinant of regional development. Although, property costs are highly dependent on both, the business sector and the size of firms. For instance, logistic companies have the highest relative property costs; they represent 5.1% of all operational costs and 9.9% of their added-values. Similar figures are found for small firms of various sectors, which tend to highlight the fact that high land prices can have a negative impact on the development of small firms as well as on the development of the logistic sector.

As a final point, our conclusion will discuss the recommendation that economic land supply policies must be adapted according to both, the profile of the territories and the profile of the firms. Indeed, in metropolitan regions as well as in rural regions, land supply policies aiming to supply an important land supply at low price is probably inefficient from an economic standpoint. By contrast, economic development can be expected in intermediate regions with active land policies dedicated to land-intensive activities. Moreover, a specific attention should be paid to the land costs borne by small firms.
