

## [The joy of markets](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 19 November 2013



How wonderful to see that the terrible shortage of housing in London is [being solved](#) [3]!

Office buildings across Mayfair, Soho and Fitzrovia are being turned back into residential homes in a bid to capitalise on rising property prices. 'We have sold over 100 office buildings in Mayfair back into residential use in the past year,' said Peter Wetherell, founder of Mayfair estate agency Wetherell.

'All the period office buildings that have been used as offices for 50 years are being turned back into homes. It's the biggest thing going on in central London right now.' The trend has been sparked by rising property prices in the capital, with the average cost of a home in London rising 9.4pc in the year to September, and 24pc further growth forecast for 2014. 'The square footage is worth a lot more for residential,' explained Mr Wetherell.

It is of course the change in relative prices which is leading to the change of use. And of course without a price system we'd not be able to determine the relative demand (and the effectiveness of that demand) for the two potential uses of the properties.

A commissar most certainly could (and would) decide that those properties in the most desirable area of London should only be for the use of those the commissar approved of, as happened everywhere that commissars allocated property. But even such a lauded and senior functionary would not be able to work out what they should be used for without some method of determining the relative values that the people themselves placed upon the alternative uses.

Or as Hayek pointed out, we have to have the market because it's the only thing capable of being the great calculating engine as to the value that people place on things.

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