

Should we build on the Greenbelt?

Henry Overman discusses his views and impressions of the recent British Government at LSE event on whether we should build on the greenbelt, arguing that strong greenbelts don't deliver the kind of development people want in the places where they want to live.



I enjoyed our British Government at LSE debate on whether [we should build on the greenbelt](#) (at some point, podcast should be available [here](#)). For those of you that are interested, I've reproduced my contribution below. But first, two observations about the debate.

Let me start with the broader point. I was expecting to be in a small minority favouring building on the greenbelt (certainly my experience in the past). But this time felt different because there were a number of younger people in the room who were pretty vocal and very articulate about problems they faced paying for housing. Don't get me wrong, there have been problems in the housing market for many poor and young people for a long time. But – much to our shame – these people don't have much of a voice at the kind of events that debate housing markets. A new generation of young university students who find themselves really struggling do take part in such debates. I wonder if that could be a 'game changer' in terms of the direction of the debate?

My other point is a little more technical. If you do listen to the podcast you'll hear a number of people claiming that we have no housing supply problem in the UK, that the problem is all down to demand. I certainly think that demand plays a role (I'd like to see the issue of VAT on newbuild and impact fees properly addressed, for example) but I think the evidence is clear that it can't all be demand. There are then two ways of interpreting what people mean when they assert the opposite, neither of which I much like. The first is that people should stop aspiring to live in reasonable size flats and houses (possibly with some outdoor space). That is, we are 'wrong' to demand so much housing. Second, is that housing is the only free to enter market where demand and supply for some reason do NOT jointly determine price.

I say that, because if housing supply really is flat (so that the problem is all demand) then house prices should ONLY change to reflect the cost of house building excluding land. It's impossible for this to explain 4 per cent real price growth in the UK since 1970! It also can't explain why land with planning permission sells for £3-4m per hectare as opposed to £10k. A third possibility is that there is enough land in our existing cities but 'for some reason' this land isn't being developed (vague accusations are made against Local Authorities and developers). But it's almost impossible to explain this kind of behaviour without distortions on the supply side (taking us back to where we started – how can the ONLY problems be on the demand side).

Anyhow, an interesting debate, and I was grateful to Government at LSE for organising it. My contribution to the debate follows below:

Should we (ever) build on the green belt?

There are plenty of people who think we should not. For simplicity, I will characterise them as belonging to one of two groups: Dark green and light green defenders of the Greenbelt.

Dark green defenders ask us to focus on the beautiful English countryside. They play up the environmental and amenity value of that countryside and make the case that we must preserve it for future generations.

Light green defenders ask us to look instead to our towns and cities. They play up the environmental and social benefits of building at density. Better more walk able communities, more public transport use,

better public good provision. For this group, preserving the countryside is just a happy side effect of achieving higher densities that must be good for all.

I find the *dark green defenders difficult to argue with*. Not, I hasten to add because I think they are right. Rather because they are so one sided, so willing to overstate the social benefits of the countryside and so willing to ignore the large social costs that come from restricting development.

In contrast, the *light green argument has merit*. My disagreements with its proponents more nuanced. In short I think they over play the benefits of density, overstate our ability to deliver enough housing at higher densities and underestimate the costs of failing to deliver enough housing. There will be time to cover many of these issues in more detail, so I will limit my opening remarks to focus on six key points:

Green belts (and the planning system more generally) restrict supply and increase house prices (with a regressive impact on low to middle income families). Hilber and Vermeulen suggest that an area moving from an average to the lowest level of restrictiveness would see house prices fall by around 30 per cent.

Green belts increase housing market volatility. At least until the recession, average house price volatility in the UK was higher than the most volatile single market in the US (Los Angeles).

Green belts increases office rents. Cheshire and Hilber (2008) carefully document how planning restrictions in England impose a 'tax' on office developments that varies from around 250 per cent (of development costs) in Birmingham, to 400-800 per cent in London. In contrast, New York imposes a 'tax' of around 0-50 per cent, Amsterdam around 200 per cent and central Paris around 300 per cent.

Green belt lowers retail productivity and the employment of small independent retailers. Cheshire et al (2011) demonstrate that planning rules reduced productivity in a leading supermarket chain by at least 20 per cent while Sadun and Haskel show that small and independent shops have been hurt by town centre first policies.

A strict green belt policy may not allow for the true social costs of brownfield versus greenfield development. Alex will / talked about this in more depth. By 2005, 70 per cent of new development was on brownfield land. We don't know what this did to the pattern of development within cities, or on the overall effects for the city as a whole. Could skewing development towards city centres have come at the expense of manufacturing and less overall growth? Brownfield land is expensive to build on – how much does this explain current low levels of building? Was garden grabbing a good idea? (the share of new homes built on previously residential land rose from 11 per cent to 23 per cent between 1997 and 2008; according to the Guardian, the waiting list for allotments currently stands at 86,000 people). Green belts, brownfield targets and density standards have also tended to produce large numbers of small flats in urban areas – although there is a clear need for larger, family homes in these places.

In short, strong greenbelts don't deliver the kind of development people want in the places where they want to live. These costs need to be offset against the benefits of preserving undeveloped land. Undeveloped land does deliver benefits, but research suggests that – particularly for high intensity agricultural land at the edges of our towns and cities – these benefits are often not as large as claimed (Gibbons et al 2011).

Time, perhaps, to start building on (some of) the greenbelt after all?

This article first appeared on the [LSE SERC blog](#).

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