



Spatial Economics Research Centre

Thursday, 15 May 2014

Building Reliant Robin Houses adds to our Housing Crisis

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We all know there is a housing crisis. The [latest data](#) show that on the best measure of affordability (the price of a house mid-way in the price range relative to earnings mid-way in the range), the national position is half 1997 levels and not a lot better than at the worst point in 2007.

The debate about causes is full of myths, many self-serving - such as [the claim that we are in danger of concreting over England](#). As I showed in [a recent article](#), the reality is that Greenbelts cover more than 1.5 times all our built-up areas put together. Surrey has more land for golf courses (2.65%) than actual houses (2.06%).

The most important reason for the crisis is that we have been drastically restricting the amount of housing land since 1947. Furthermore the recent changes embodied in the [National Planning Policy Framework](#), far from increasing the take of 'Greenfields', seem to have done the opposite. House completions have increased from the catastrophically low levels of 2009 but housing starts - what is in the pipeline - have [fallen by nearly 10%](#) and planning applications are flatlining.

There are problems of market failure, and land markets fail more than most. So they need regulation, which is what planning should do. But effective regulation also needs to be informed by an understanding of how markets work. The problem is that our planning system seems to proceed as if it could entirely suspend the laws of supply and demand.

It is not just that restricting the supply of something when demand is rising (in this case land when incomes and population have been rising) causes the price to go up. But if you persistently build Reliant Robins and people prefer VWs, then VWs become a luxury good and unaffordable. Roughly speaking that is what we have been doing with housing supply. We have not just been restricting the supply of land to build them on but we have persistently been building the wrong sort of houses in the wrong sort of places.

Houses do not move about. So demand is local - primarily where there are decent jobs. But also [the evidence shows](#) that as people get richer they try to buy more space (VWs rather than Reliant Robins) with a bit of garden and somewhere to put their VW.

We may wish to persuade people to use cars less and revive the prosperity of declining parts of the country. But it is insanity to try to achieve those objectives by refusing to allow houses to be built where there are jobs, where they are most expensive and without reasonable space. When lobbyists the Greenbelt claim there is an ample supply of brownfield sites, not only do they fail to recognise that brownfields are a legal concept including [some of the highest quality amenity land in Britain](#) but not much of it is where job prospects are good.

This is true even within southern England. Corby in Northants has [a brilliant record of building houses](#). Daventry in Northants does not. Corby has the most affordable houses in Northants while Daventry the least. The unemployment rate in Daventry is less than half that in Corby ([link](#)). A similar tale can be told of Lancashire comparing Preston and Ribble Valley; or Watford compared to Three Rivers in Hertfordshire; or Aylesbury Vale compared to Chiltern in Buckinghamshire.

All over the country more houses are going up where they are already least unaffordable and where unemployment is high relative to surrounding areas. London illustrates this perfectly. Not only are we concentrating new building on the land most exposed to flooding and rising sea levels in the East Thames Corridor, but as the table below shows, we are building them where they are already least unaffordable and where job prospects are worst.

London Boroughs: The builders versus the non-builders

	Mean % addition to stock 2004-12	Affordability Ratio (median house price/median earnings)	Unemployment Rate 2012/13
4 biggest builders ¹	14.57	9.98	11.35
4 smallest builders ²	2.11	15.07	6.75

¹ Islington, Hackney, Southwark & Tower Hamlets

² Kensington & Chelsea, Merton, Bexley & Sutton

And it is not just across broader areas that there is this focus on building houses in the wrong places. It is within cities too. In my [new book](#) with Max Nathan and Henry Overman, I give a striking example. In 2009, the West Midlands Regional Spatial Strategy was being discussed in a public hearing. When the local planners were asked why the plan was not allowing building in more suburban areas, at lower densities, the answer was that if sites like that were available developers would just 'cherry pick them'. In plain English that means that developers would try to build the sort of houses people wanted to live in the places they wanted to live. So obviously we should not let them do that.

All this means that we have far too many Reliant Robins and not nearly enough VWs in our housing stock. Except when it comes to housing, housing Reliant Robins are even less mobile than the real things. Not only are our houses inferior in terms of type and space, they are in the wrong places.

1 comment:



Ben Jamin' said...

All externalities in the spacial and economic environment can be internalised if the State collects 100% of the value it creates. Call it the rental value of land, Regulation Tax, whatever.

Firstly, the whole NIMBY question would be nullified. The market would price the exact cost of compensation paid(through higher charges) or visa versa.

Secondly, the State would be incentivised to strike the correct balance between building more(higher agglomeration=higher demand) and protecting amenities(also higher demand).

They'd be looking for a Laffer curve of revenue maximisation ie highest aggregate rental values.

It is a trueism, that all good State regulation raises aggregate rental values, and poor regulation lowers them.

Which is something those who blame restrictive planning for housing unaffordability need to chew on.

It's only when the totality of State produced value is privatised by freeholders, housing becomes unaffordable.

4 June 2014 at 02:49

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