



Spatial Economics Research Centre

Friday, 29 June 2012

Should we build on the Green Belt?

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 face 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% 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 walkable 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 overplay 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%.

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). Hilber and Vermeulen

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

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% 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 Willmott talked about this in more depth. By 2005, 70% 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 the share of new homes built on previously residential land rose from 11 percent to 23 percent 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?

Posted by [Prof Henry G. Overman](#) on [Friday, June 29, 2012](#)

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Tom said...

As a young person who would probably fit your "light green" category, I get the feeling reading your post that you are simply coming at the question from a very different place. You are after economic efficiency in a market economy, delivering affordable homes of the sort the average Briton desires. Sorry if that's wrong!

I, on the other hand, am principally concerned with *transforming* our economy and society to *radically* reduce our greenhouse gas emissions and consumption of certain resources. Any idea that crosses that line is ruled out, back to the drawing board. Mainstream planning debate is just so far from this understanding of our appalling challenges, we tend to treat them like one of various objectives we can move a little towards when we should see them rather as our dear Chancellor sees the fiscal deficit - closing the greenhouse gas production and resource consumption deficits is our number one priority.

All my work and reading in this area points to the need for certain patterns of spatial development. I know that brownfield is often more worthy of preservation than pesticide soaked pony fields. I know it's possible to build very well planned new towns and urban extensions on the greenbelt. But I'm really not convinced that the average council unchained by the NPPF and given a green light to build on the brownfield will take a sophisticated, genuinely sustainable approach to greenfield development. Not, by the way, that they did under the previous planning system anyway. I'm also not so sensitive about saying that sometimes people's desires are, to the best of our knowledge, simply incompatible with a sustainable future. So sorry we can't all have five spare bedrooms, we can't have two garages and drive to the corner shop. If you want to you'll have to pay a whacking great big premium or be seriously inconvenienced, whether through market or state mechanisms.

Lower house prices relative to incomes and lower rents aren't worth the cost of more car dependent sprawl suburbs.

I'm also not bothered about looking outside the free market for solutions. It's never just supply and demand. With rents, countries with higher proportions of private renting often deal with prices much better through a combination of well regulated supply and tighter controls on landlords. Taxes could be changed to target rent seeking, reduce the unearned gain in land values and penalise harmful land banking, auction policies could help with the planning gain, and so on.

This different starting point also found me reading, for example, the works on town centre first planning and thinking the conclusions were completely wrong.

I was really sad that I couldn't make the debate, I'm sure it was very interesting. Thanks for writing up a sketch of your key points.

[2 July 2012 at 17:50](#)

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