

We need to build on small, well-chosen areas in Green Belts

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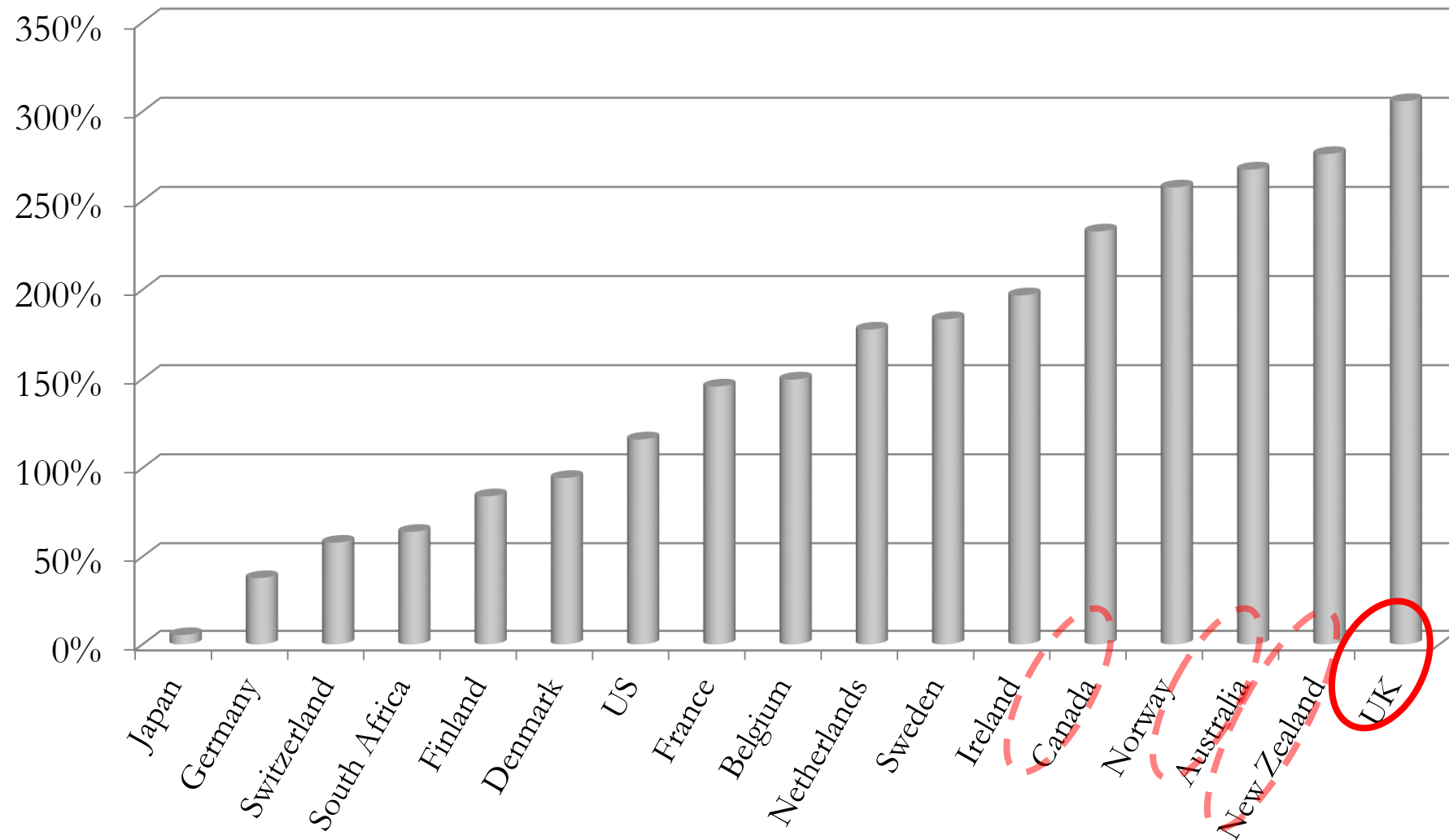
23rd November 2017



Shortfall of Housing Close to Catastrophic

- **Shortfall of house building in England MAJOR problem: and a long term problem**
19 years 1969-1989 = 4,302,270
19 years 1994-2012 = 2,687,040
- Annual build 'needed' to stabilise affordability (*NHPAU, 2009*)
= 237,800 to 290,500 – say 260,000
- So over 19 years = 4,940,000
- Therefore shortfall 1994 to 2012 has been between 1,615,230 and 2,252,960 – almost certainly closer to 2,252,960
- Since 2012 have built average of 127,640 pa
So 'shortfall' increased by 529,000 since 2012:
- **Now 2,144,670 to 2,782,400: a good 2.5m**

International comparisons? (Real HP growth 1970-2015, selected OECD countries)

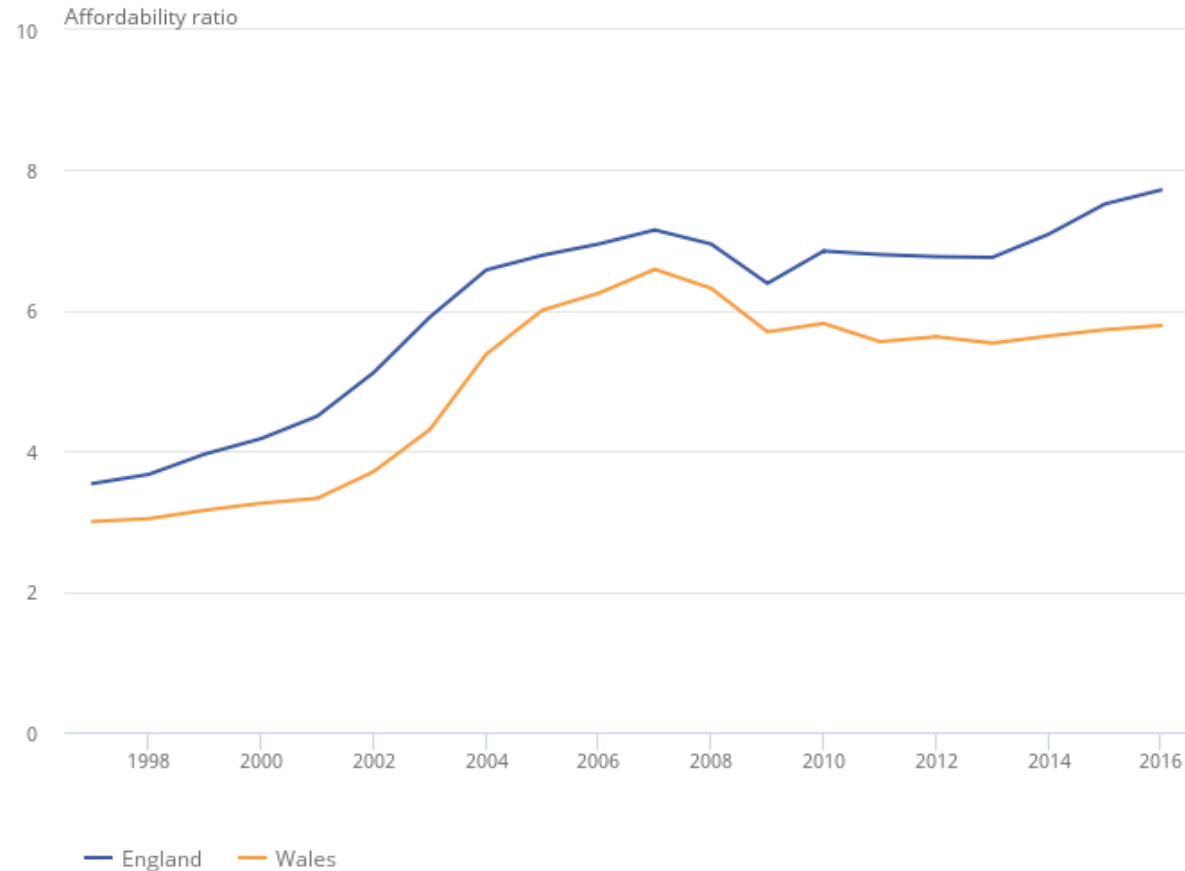


Sources: BIS, World Bank, Bank of England

And Housing Affordability Worsens

Figure 1: Ratio of median house price to median annual earnings

England and Wales, 1997 to 2016



Source: House Price Statistics for Small areas and Annual Survey of Hours and Earnings, Office for National Statistics

Land allocation on forecast household Nos but demand driven by incomes

- Rising demand is far more the result of rising incomes than increasing population - for example:

- **GLA Area**

• Period	% Change Pop	%Change Real House Prices
• 1981-2011	+20.5	227.6
• 1951-1981	-16.9	71.9
• 1951-2011	+0.1	+463.2

- Some modelling I did in 1999 – effects on real house prices of alternative policies for land release: IF population increased at then projected rate to 2016 and 60% on ‘brownfields’ => house prices increased 4.4%; if population increased as projected AND real incomes increased at historic rates then => house prices up 131.9%

What happens to price if you restrict the supply of space?

- **Space is valued:** a strong income elasticity of demand:
 - Cheshire & Sheppard (1998) – about 2
 - Meen (2013) about 2.7 > than price elasticity of demand
 - [OBR 2014 – about 3];
- Policy has restricted the supply of space for housing in London (& elsewhere but most in London) since 1955
 - Real incomes up x 3
 - Car ownership up x 13
- Increases the price of land and housing; and increases price volatility.

Structural failure of supply created by policy

- The underlying cause of the shortage of housing is a structural failure of supply created by policy.
- Land allocation on basis of forecast household numbers; but demand largely determined by outcome incomes;
- And frozen land supply where most wanted – around our large cities – since 1955 with Green Belts.
- No environmental or social value...
- Purpose is **only** to ‘stop settlements merging’ “*even if...neither green nor particularly attractive scenically, the major function of the Greenbelt was...to stop further urban development*’. Duncan Sandys, Minister for Housing.

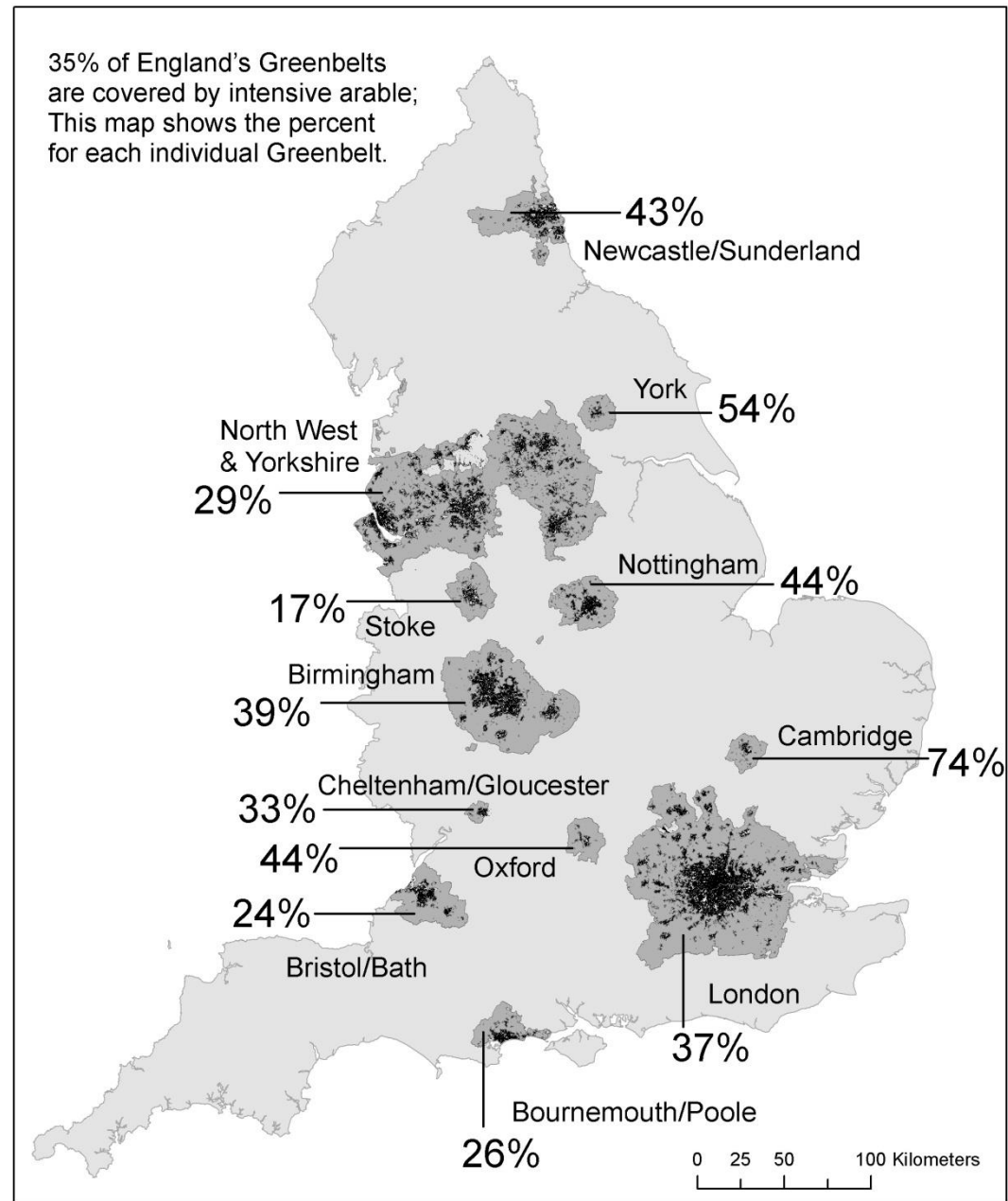
Price of house is Structure + Land

Restrict Land Supply? UK Greenbelts from 1955

Cover 1.4 as much land as all
urban areas; all urban less than
10%;

Not specifically green:
biggest use - intensive arable e.g.
Cambridge 74%. No amenity or
environmental value.

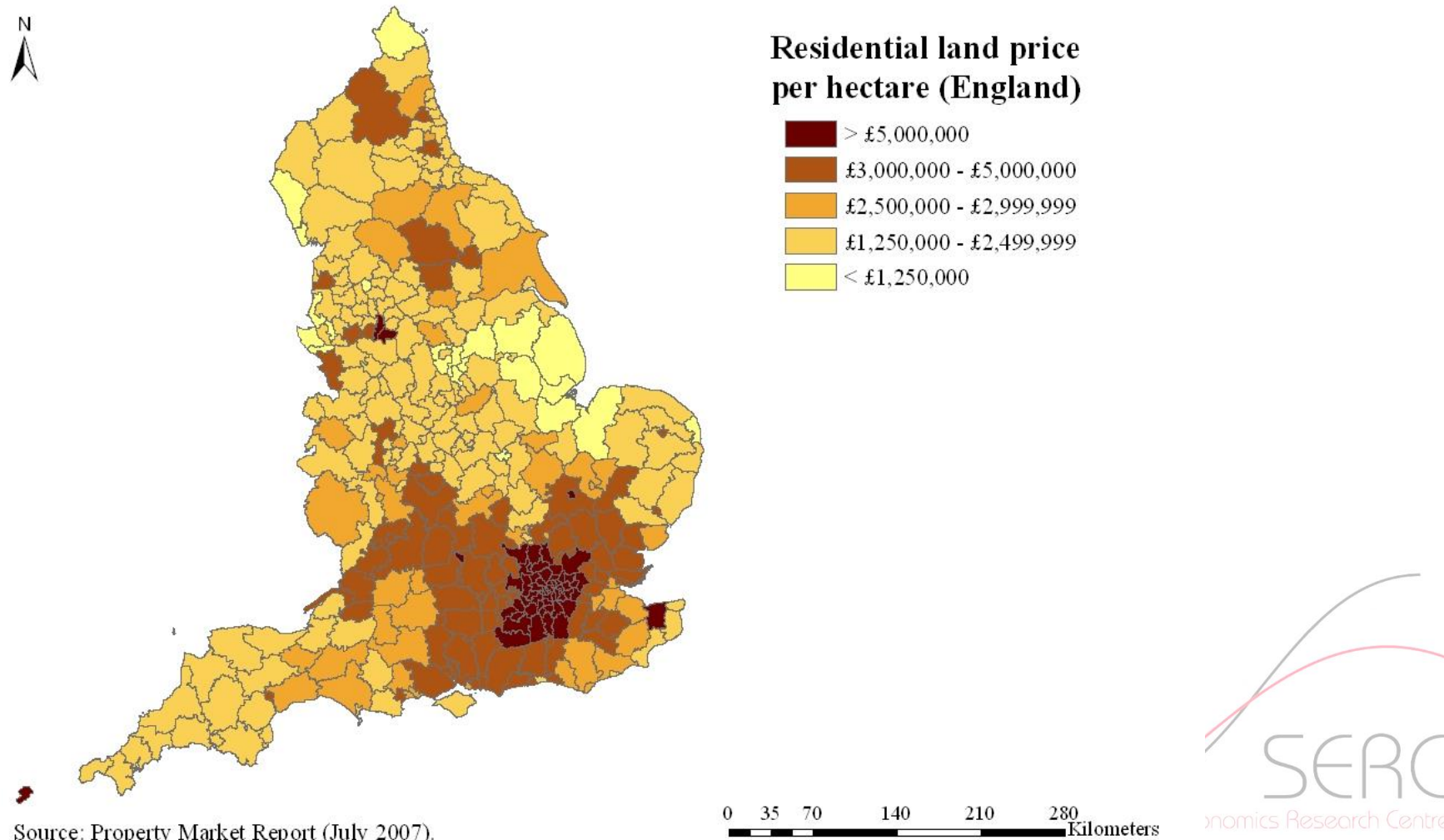
Intensive Arable Land in English Greenbelts: percent



This map was prepared by Sevrin Waights. Calculations are based on Land Cover Map 2000. Intensive arable land was defined as use categories 4.1, 4.2 and 4.3 and so is a conservative estimate of 'intensively farmed agricultural land'.

What happens to price if you restrict the supply?

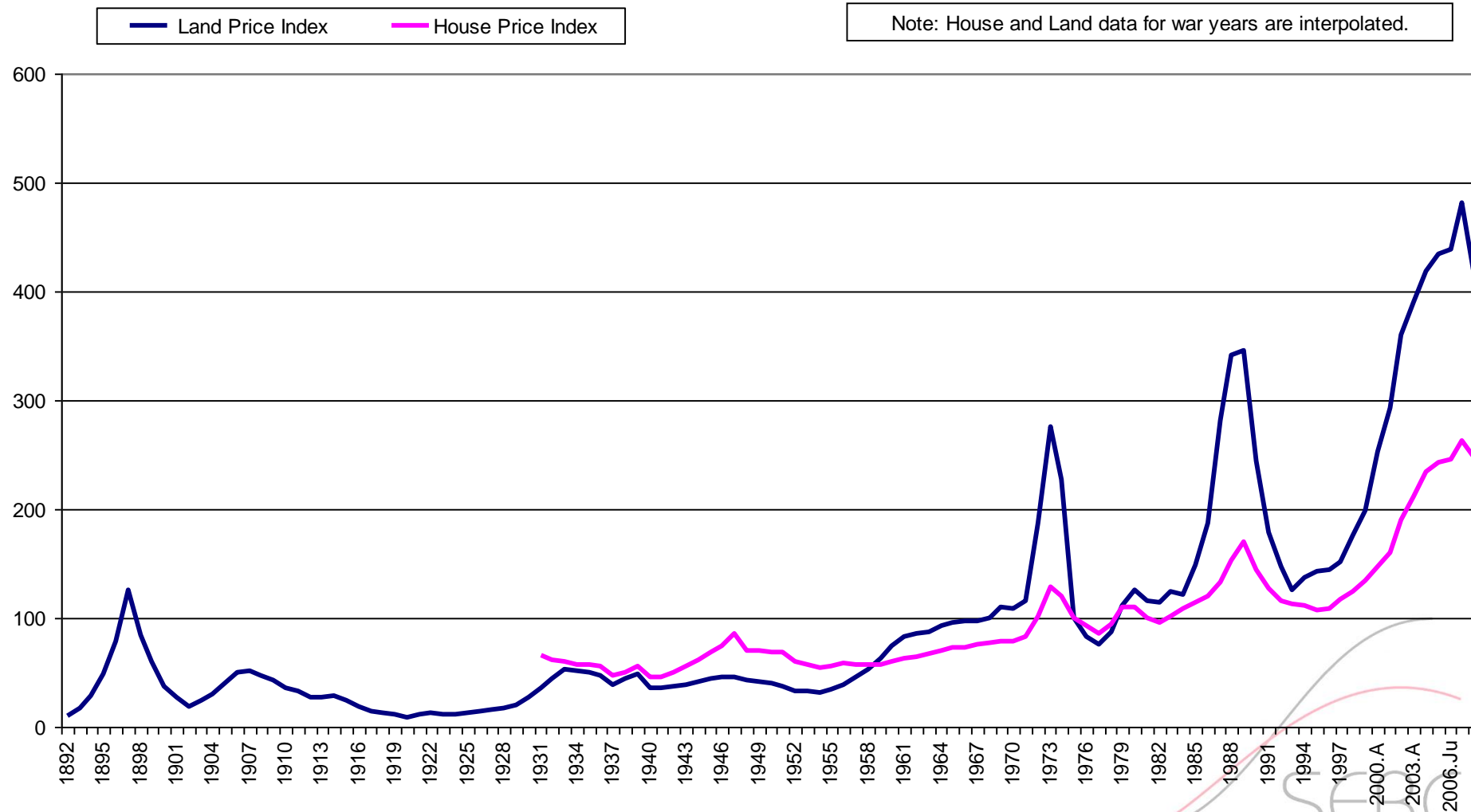
- Can identify Green Belt by land price....



Source: Property Market Report (July 2007).

Result given rising demand for housing (space)? Rising real prices...

Figure 1: Real Land & House Price Indices (1975 = 100)



Source: Cheshire, 2009

Don't build on beautiful or environmentally valuable areas

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Can't build here



Baker St 30 mins

£100,000:

No humans!

£18 billion spent: but NO Development here!

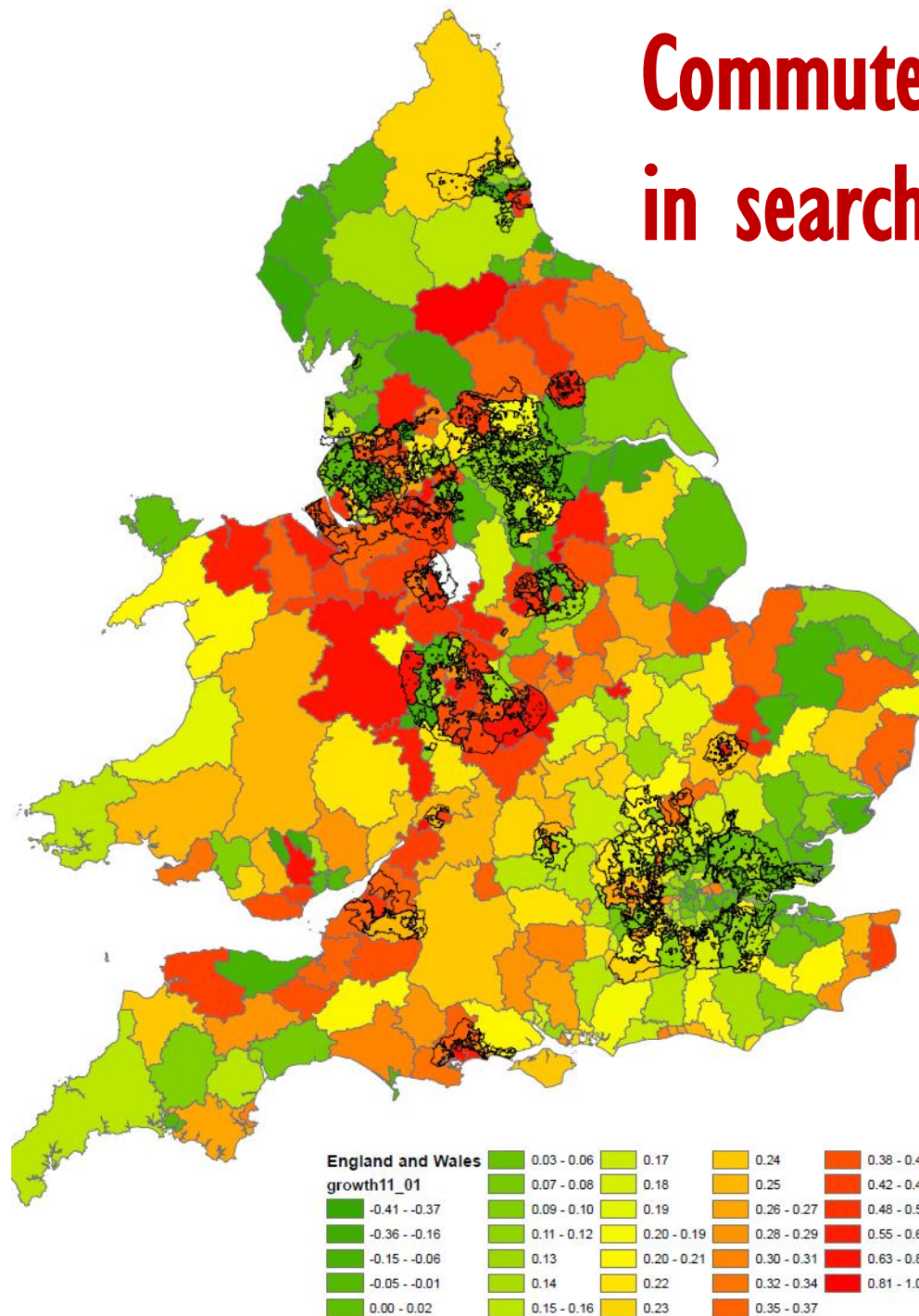


Google earth

Must build here: not fit for horses?



Commuters jump the Greenbelt in search of affordable space



Change in proportion of resident working population commuting to jobs in Inner London 2001 to 2011: Local Authority level data.

Source: Census