



**SHOULD THE GREEN BELT BE PRESERVED?**

**A SOCIAL MARKET FOUNDATION INTERNAL COMMISSION**

**Interim Findings  
August 2007**

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## Introduction

Average house prices have doubled in the last decade. Demand for housing has outstripped supply to such an extent that housing has become a national policy priority for the Brown government, as well as a staple topic of conversation at dinner parties.

That there is a continuing fundamental mismatch between supply and demand in the housing market is no longer disputed, yet there is less agreement about how to tackle the problem. In particular, debate rages about where to build new homes, whether demand can be accommodated on already developed land and how these decisions should be made by local communities.

It is against this backdrop that the Social Market Foundation formed an internal commission to examine how the UK can meet demand for housing over the medium-term.

## Housing in the UK: demand and supply

It is becoming harder and harder for Britons to buy a home. Over the last 30 years, UK house prices have risen 1.3 percentage points faster than the EU average. Affordability has dropped more than 9 percentage points since the late 1980s.<sup>1</sup>

The fundamental problem is that demand has massively outstripped supply. The number of households has increased by an average of 165,000 per year over the past decade.<sup>2</sup> There are a number of reasons for this. More Britons each year are living alone. There are more divorces, people are marrying later, we expect larger homes than our grandparents, and our grandparents are living longer than their grandparents.

However, while demand for housing has continued to grow, supply has not kept pace. Over the last decade, an average of 145,574 houses were completed each year.<sup>3</sup> And though there has been a steady increase in supply, it has still not caught up with demand. Last year just 167,691 permanent dwellings were completed.<sup>4</sup> The diagram below represents overall housing supply and demand for England since 1980.<sup>5</sup> It shows that for long periods, particularly recently, demand has exceeded supply and projections (discussed more fully below) suggest it will continue to do so.

It is important to note that the problem is not as simple as the graph suggests. It does not take into account the different situations between regions, which the Commission will address in further detail in its final publication.

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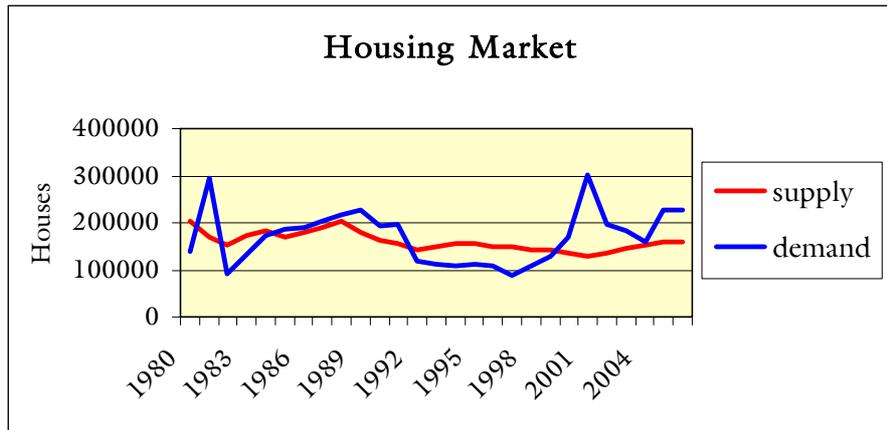
<sup>1</sup> *Barker Review: Housing Supply* (HMT, March 2004).

<sup>2</sup> Calculated from DCLG statistics.

<sup>3</sup> Calculated from DCLG statistics.

<sup>4</sup> DCLG statistics.

<sup>5</sup> Housing supply equals the number of permanent dwellings completed each year, and demand is the increase in the number of households each year.



Source: DCLG

In part, growth in supply has been constrained by a planning system widely recognised as highly complex and drawn out. Many have argued that the current planning system does not effectively balance local views and national needs.

Whatever the reasons for accelerated demand and constrained supply, it is this fundamental mismatch between supply and demand that is the central cause of the dramatic increase in UK house prices over recent decades.

### Future supply and demand

Furthermore, on current trends demand will continue to outstrip supply, building greater pressures in the UK housing market. Projections suggest England should expect an average of 223,000 new households to be created each year until 2026.<sup>6</sup> This compares to the 167,691 permanent dwellings completed last year. It is clear that supply is going to have to increase significantly if it is to meet projected demand.

As a result, the Government has set a target of 240,000 new homes each year by 2016, totalling 3 million by 2020. This will not be an easy target to meet, particularly given the recognised complexities and uncertainties of the UK planning systems. It is for this reason that Gordon Brown commissioned Kate Barker to recommend improvements to the planning system. Since her final report, the Housing White Paper 2007 has been published and aims to strengthen the interactions between national, regional and local powers. The nature of the planning system and how it makes trade-offs is a topic the Commission will return to.

But, even leaving this aside, the critical question is: where are we going to put all these new houses?

<sup>6</sup> DCLG Statistical Release 2007/0045 (16 March 2007). This is actually subject to affordability. As affordability worsens household creation will slow down but this represents lost welfare.

## Meeting housing demand: Paving over the countryside?

It is clear from this analysis that there will need to be a large number of new homes built over the next decade or so, and that the Government's target of 3 million by 2020 is likely to need to be a floor rather than a ceiling. This is an emerging consensus. But there is no such consensus about *where* those new homes should be built.

Many critics of the plans to increase housing supply have raised concerns that countryside and Green Belt land will be lost in the pursuit of more houses. For example, The Express argued on July 12<sup>th</sup> that, '*There barely seems to be a corner of the south east that is not vulnerable to more housebuilding. Our once green and pleasant land is increasingly covered in concrete and red brick. And the problem is about to become worse, if Gordon Brown has his way.*'

There are three main types of land on which increased housing supply could be cited: previously developed land (PDL), greenfield sites and the Green Belt. Each of these has their advantages and disadvantages and involves trade offs: there is no easy answer.

### **The potential of brownfield sites**

Previously developed land (PDL) is land that has become vacant or underused, such as factories that have been closed. The Government has prioritised development on these so-called brownfield sites, setting a target of 60% of housing to be built on PDL. Progress towards this target has been enhanced by incentives such as remediation tax relief and by tight restrictions on planning permission for greenfield land. As a result, almost three quarters of new housing in recent years has been built on PDL.

But it is important to note that not all PDL land is already developed; as well as, for example, disused factories, it also includes gardens and other green spaces in towns and cities. Therefore siting more housing on PDL could involve people accepting smaller gardens for their existing housing or fewer parks in cities. In other words, building housing on PDL is not a 'free lunch', it brings significant disadvantages for people already resident in cities.

How much housing could PDL accommodate in the coming years? While there are clearly inherent uncertainties in the future development of PDL, we have made reasonable assumptions to determine its capacity:

- The amount of new PDL becoming available each year will be a fixed proportion of the previous years stock; and
- 20% of PDL land used for housing will be taken up with the infrastructure necessary to support new housing development (an assumption used by the National Land Use Database).

***Using these assumptions, the SMF has found that even if all PDL (including gardens and city parks) were built on, the UK would fall short of its 3 million target for new housing. On current density trends, PDL could only accommodate 1 million new homes.***

PDL could accommodate more housing if it were built on at a higher density. The higher the density the more homes we can fit on PDL, though with a greater loss of

amenity (gardens and parks) for those already living in towns and cities. The Government currently requires a minimum density for all developments throughout England of 30 dwellings per hectare (dph). This density is similar to a small village. London, on the other hand, has an average density of almost 80 dph. The SMF has calculated three scenarios using different densities:

- **Low:** Building at 20dph means PDL could accommodate 500,000 homes and would run out in 2012;
- **Medium:** Building at 45dph means PDL could accommodate 1.2 million homes and would run out in 2014; and
- **High:** Building at 80dph means PDL could accommodate 2.1 million homes and would run out in 2016.

What is clear is that, even if new homes were built at London levels of housing density, the UK would still need to build 1 million new homes on non-PDL sites to meet the 3 million target. And building at London-style densities across the UK would involve serious trade-offs for those living in towns and cities (as discussed above, sacrificing parks and gardens to fit the new homes in).

On the more realistic medium scenario, almost 2 million homes would need to be built on non-PDL sites. The SMF has concluded that it will not be possible, even if those living in towns and cities accept the loss of their gardens and parks, to meet the UK's housing needs through PDL alone. Difficult decisions need to be made about greenfield and Green Belt sites.

### **Greenfield sites and the Green Belt**

Our analysis shows that, even if housing densities for PDL are increased significantly, around 2 million new homes will have to be built on the other two types of land: Green Belt or greenfield sites. It is worth beginning with definitions of the Green Belt and Greenfield sites, as perceptions of them are clouded by, for want of a better phrase, urban myths.

The Green Belt is land around cities designated for long-term protection from development. It was established 50 years ago to prevent urban sprawl and around 13% of England's land is designated as Green Belt. It is not, by definition, green. It includes scrub land and some ex-industrial land, as well as green sites – its defining characteristic is that it circles major towns and cities. But there are serious misperceptions about the Green Belt. A survey by Ipsos MORI in 2006 found that 60% of people thought that green belts were to protect wildlife and 46% thought they preserved areas of natural beauty. In other words, the Green Belt is not as green as people believe.

Greenfield land is, simply, any undeveloped land. So it includes that 31% of England's land that is classified as Areas of Outstanding Natural Beauty (AONB), National Parks, Sites of Special Scientific Interest (SSSI) or similar.<sup>7</sup> But it also includes undeveloped land that would not widely be considered as outstandingly beautiful as well as land that used to have development on it, but of which little now remains. There are common misperceptions about greenfield land too. The Barker Review found that more than one

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<sup>7</sup> Adam Smith Institute, Land Economy (2006).

half of people thought that at least 50% of land in the UK was developed or built on; in reality just 13% of UK land is developed or built on, meaning 87% is greenfield.

The UK faces tough choices in meeting its housing needs. It can try to cram as many homes as possible onto brownfield sites. But even building at very high densities is unlikely to fully satisfy the growth in housing demand and brings the risk of overburdening an area and limiting public green space in cities. And a MORI national survey for CABE shows that most Britons prefer low density dwellings.<sup>8</sup>

Given this, the SMF has concluded that it is inevitable that a significant proportion of new homes be built on land other than PDL. Along with the common misunderstanding of the nature of the Green Belt and why it is there, the SMF believes it is time to have a debate about loosening the Green Belt, as recommended by the Barker Review but rejected in the Government's White Paper.

The Green Belt, by its definition, surrounds existing cities. It is there to contain towns and cities rather than to protect countryside – much of it is far less picturesque than popular perception would suggest. It is well suited for new housing development since it is close to existing infrastructure and established communities. In addition, it is likely that Green Belt land has the highest levels of demand because of its location.

Three possible options for meeting the demand for land, beyond PDL, are:

- Deregulating Green Belt land that is not of any significant natural value and is well placed for housing, while offsetting that with increased protection for environmentally valuable land.
- Easing planning restrictions on all of the Green Belt, thereby allowing the market to more effectively determine where development takes place.
- In-filling development in existing villages to increase their housing density in order to protect the Green Belt.

These options are not exhaustive and the Commission intends to consider a fuller range of options in future. The Commission will then assess how each option performs against a range of criteria for effective land use, these will include, though not be limited to:

- preserving quality of life in cities
- preventing urban sprawl
- protecting the environment
- improving affordability.

This approach will make the tradeoffs we face as a nation more explicit and help us reach an effective solution.

### **Conclusion: No easy answer**

The UK housing market is fundamentally unbalanced. Supply has consistently failed to keep up with demand and as a result prices have risen dramatically.

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<sup>8</sup> CABE, *What home buyers want*, (2005).

If this is not to be the case over the coming decade, a dramatic acceleration in house building will be needed. Indeed, the Government's target of 3 million new homes by 2020 (a significant acceleration) is likely to be the minimum needed.

The UK needs to have a rational debate about where to build these houses. We have to build them somewhere, but building new houses anywhere involves trade offs and winners and losers. The current debate, though, is scarred by misunderstandings. More than one half of Britons believe that 50% of land is developed, when the true figure is 13%. Most people believe the Green Belt is to protect wildlife or areas of beauty, when it is actually there to prevent urban sprawl.

The SMF Commission has found that, even if new homes are built at very high densities, it is unlikely to be possible to build them all on brownfield sites. A significant proportion of housing will need to be built on greenfield sites.

Given this there is a need for better debate about how to do accommodate new homes. The SMF argues that that there may be a case for reconsidering the future of the Green Belt, which often protects neither wildlife nor areas of outstanding beauty. The key is to design a planning system that empowers local people to shape their communities, while ensuring that everyone is able to put a roof over their heads. The UK has not managed to do this over recent decades. It is essential we get it right for the coming decades.