

**LAND CONSTRAINTS ON HOUSING SUPPLY and  
THE USE OF PRICE IN PLANNING**

A SUBMISSION TO THE BARKER REVIEW OF  
HOUSING SUPPLY

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## **Introduction**

The purpose of this submission is to draw the review's attention to the results of two sets of research undertaken in the Cambridge Centre for Housing and Planning Research. The first is a study for the then Department of the Environment on the relationship between land supply and house prices, and the second was an exploration of the potential use of housing and land prices as a planning tool, undertaken for the then Department of the Environment, Local Government and the Regions. The first study is directly relevant to the questions presented in 'Issue 1' of the review brief circulated on 9<sup>th</sup> June 2003, while the second study has more general relevance in terms of monitoring and the use of indicators.

### **Land supply and house prices**

Our research (and much else since) showed that planning constraint in some areas causes high land and house prices which cannot be compensated for by relaxed planning in other areas because housing markets are so segmented. Therefore to reduce house and land price volatility would imply more relaxed planning in areas of current constraint. However, planning constraints are introduced to protect the countryside and to prevent urban sprawl, which are considered highly desirable social objectives (see Monk S and Whitehead C, 1999, 'Evaluating the economic impact of planning controls in the United Kingdom: some implications for housing', *Land Economics*, Vol. 75, No. 1, pages 74-93).

### **The use of price in planning for housing**

Our more recent work on the use of price as a planning tool demonstrates that there is a cost to planning constraint – namely high house prices in the most desirable and pressured areas – and land and housing prices provide an indication of that cost (opportunity cost). For example, if the government's priorities for increasing the supply of housing outweigh its priorities for environmental protection and prevention of urban sprawl, then constraints on land supply such as green belts should be reduced in size. The main implication from our study is that planning acts as a constraint which has an opportunity cost, and that price provides a measure of that opportunity cost. Equally, measures to reduce the constraint have an opportunity cost and again, price can provide a measure (see Monk S and Whitehead C, 2000, *The use of housing and land prices as a planning tool: a summary document*, Research Report I, Cambridge Centre for Housing and Planning Research, Department of Land Economy, University of Cambridge).

Because neither document is available electronically, we are also sending a hard copy of this note together with the two documents.