

[Sometimes, the stupid, it hurts](#) [1]

Written by [Tim Worstall](#) [2] | Friday 20 July 2012

Sometimes there's just something where the stupid is so bad that it hurts: not just the inability to see the forest for the trees but a concentration upon the twig at the expense of the branch. So it is with the latest whine about the cost of housing [in the UK](#) [3]:

UK families are among the worst off in [Europe](#) [4] when it comes to housing costs, spending more than 40% of their household income on rent, mortgage payments and other living costs, according to the housing charity Shelter.

True, we do indeed have expensive housing. The two interesting questions, the only two important questions, are why and what do we do about it?

"This is not set to get better any time soon," Robb said. "While the situation is bleak at the moment, a succession of governments failing to provide much-needed affordable homes means that the future facing our children and our children's children is only set to get worse.

And there we have the wrong answers to both. The first, that the reason housing is expensive is because government hasn't built enough is simply wrong. The second, implicit, answer, that if only government built more is also therefore wrong.

The truth is that housing is no more expensive in England than it is anywhere else. It is the right to build a house which is expensive in England. In the South it is generally true that the market value of planning permission on a piece of land is 50% of the value of the land, the planning permission and the entire house built upon it. We can check this by looking at the amount an insurance company will offer to rebuild your house if it burns down. It is very rarely indeed more than half the market value of said house if it hasn't burnt down.

Or we could calculate it another way: agricultural land can be had for £10,000 a hectare. Building regs insist that you put some 15 houses on a hectare. Building a house costs in the £100k to £120k area (I know, I've done it). You'll not get a 3 bed house in the South of England for less than £250k. Point proven. It is the scarcity value of planning permission which raises the cost of housing. Thus, to produce more "affordable housing" what we want is to increase the issuance of planning permits so that the market value falls.

You'll recall that the Coalition has tried to do this and my word hasn't everyone screamed about it?

Something of a pity for as we pointed out all the way back in 2007 this is a [simple, complete and viable solution](#) [5].

By converting just 3 percent of the farms in England and Wales over a ten year period, covering 90 percent of the land with trees and the other 10 percent with houses, we would create 950,000 new homes and almost 130,000 hectares of new woodland.

Or, to put it into terms that even politicians might understand. If government wants more houses built then

why doesn't government just issue more permissions for people to build houses?

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