

Abstract

We study whether local land use policies are modified in response to enhanced demand for building generated by the construction of a new highway, and examine the extent to which this mediating effect of land use regulations affects building activity. Our analysis focuses on the case of Spain during the last housing boom, 1995-2007. For this period, we assembled a new database with information about new highway segments and details about the modification of the zoning status of land in nearby municipalities. The empirical strategy compares the variation in the amount of developable land before-after the construction of the highway in treated municipalities and in control municipalities with similar pre-treatment traits, this latter group being selected using matching techniques. Our results show that, following the construction of a highway, municipalities converted a huge amount of land from rural to urban uses. The amount of land converted after the construction of the highway was greater: (i) the stronger the demand shock, and (ii) the easier it was to build out, but also (iii) the lower the amount of vacant land to start with, and (iv) the less the opposition expressed by locals. We also show that new highways have an impact on building activity.

Keywords: Land use regulation, highways

JEL Codes: R4, R52, O2.