

# Democratising Prosperity: Global Perspectives on Housing Affordability

DEMOGRAPHIA

Urban Consolidation Seminar  
Sydney  
By Wendell Cox  
1 August 2005

The Great Australian Dream  
Sydney

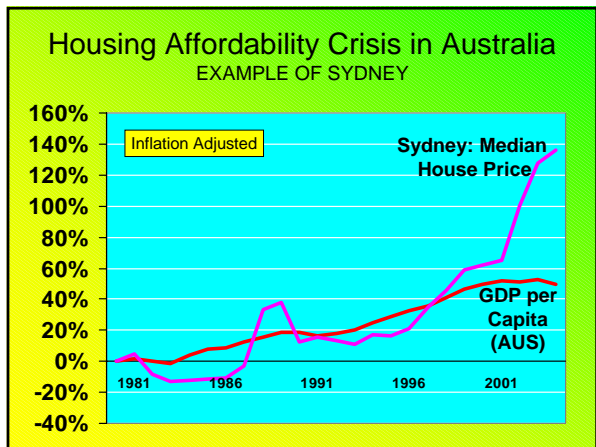
**A BROADER ISSUE**

*The issue is not...*

- Land use
- Cities

*The issue is...*

- Quality of Life
- Social Equity
- Future of the Nation



## Housing Affordability in the USA

THE RULE, NOT THE EXCEPTION

The American Dream  
St. Louis  
23 July 2005

## OUTLINE

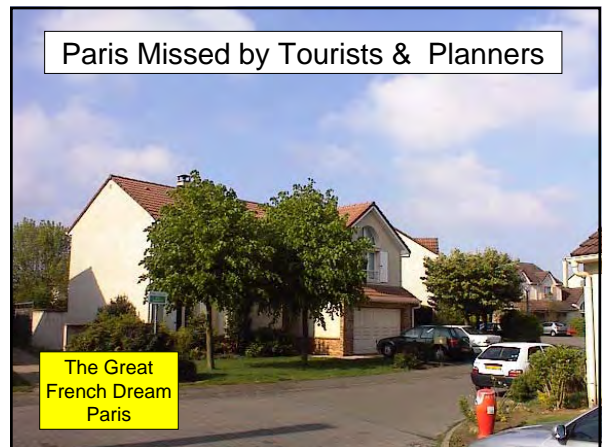
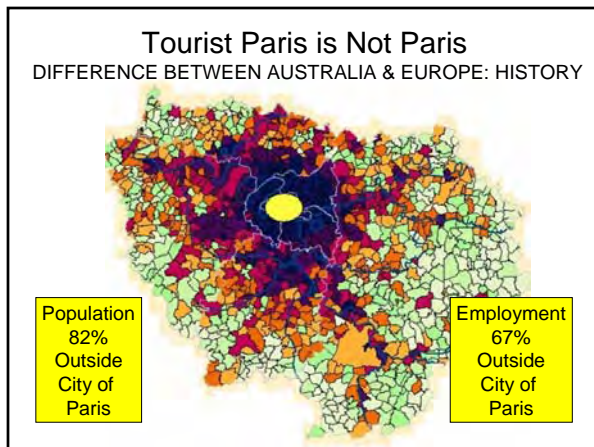
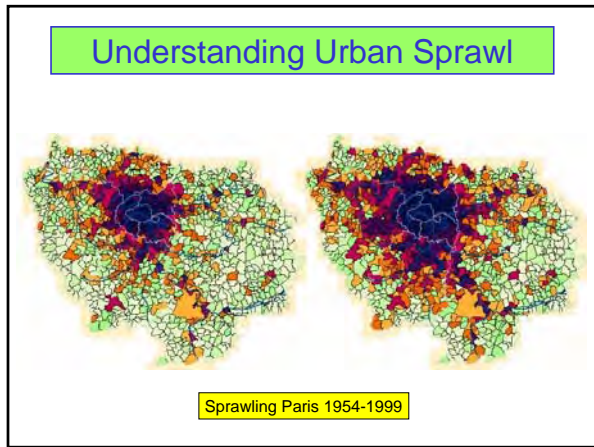
- UNDERSTANDING "URBAN SPRAWL"
- PUBLIC TRANSPORT: HOPELESS RHETORIC
- PORTLAND: FAILED MODEL
- BACKGROUND: DEMOCRATISING PROSPERITY
- HOME OWNERSHIP AND PROSPERITY
- THREATENING THE GREAT AUSTRALIAN DREAM

## The Anti-Sprawl Theology

CONDEMNING WHAT THEY DON'T UNDERSTAND

*a trashy and preposterous human environment with no future*

-James Howard Kunstler (*The Geography of Nowhere*)







Milan

Toronto

Tokyo

Portland

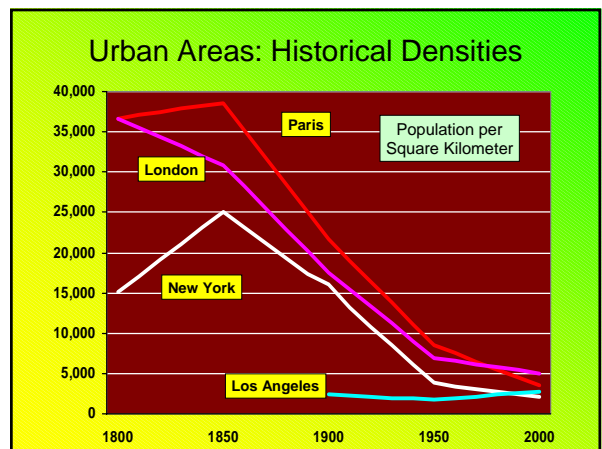
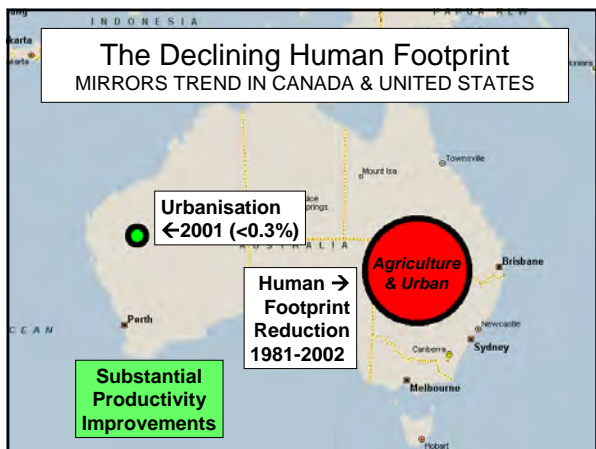
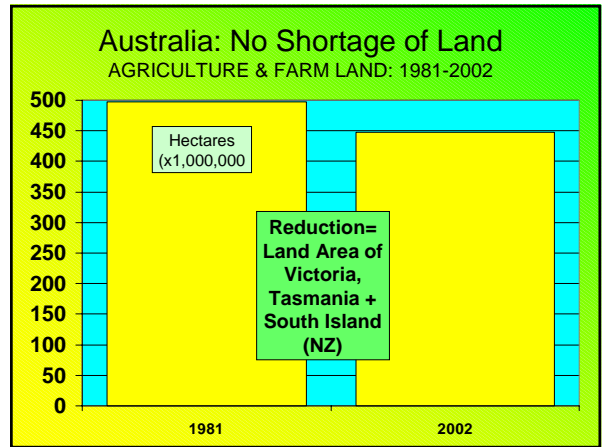
**MODERN "SPRAWL" = AUTO ORIENTED DEVELOPMENT**

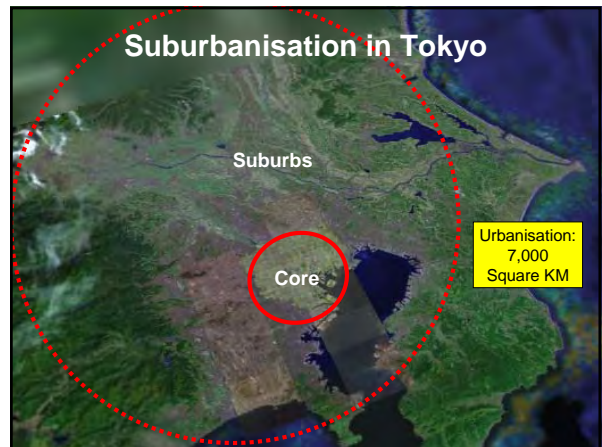
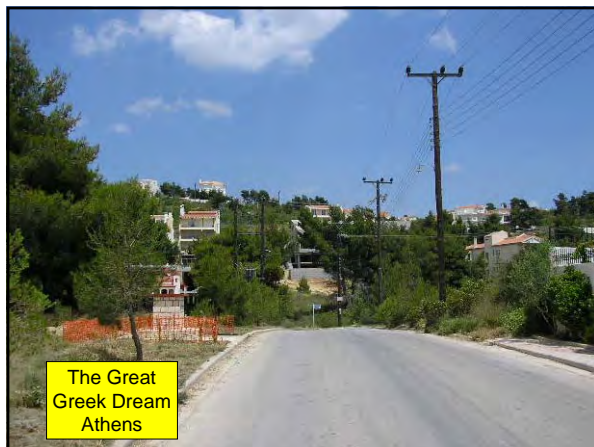
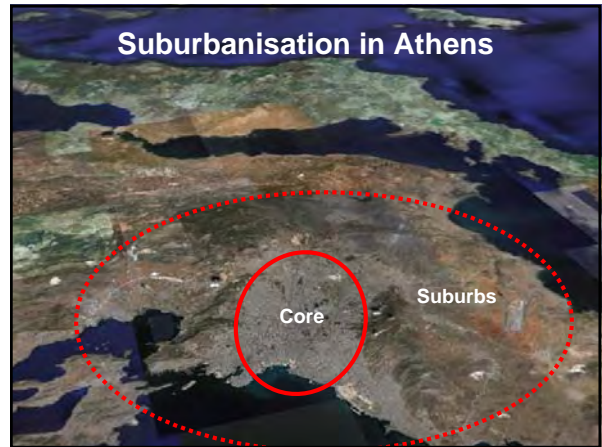
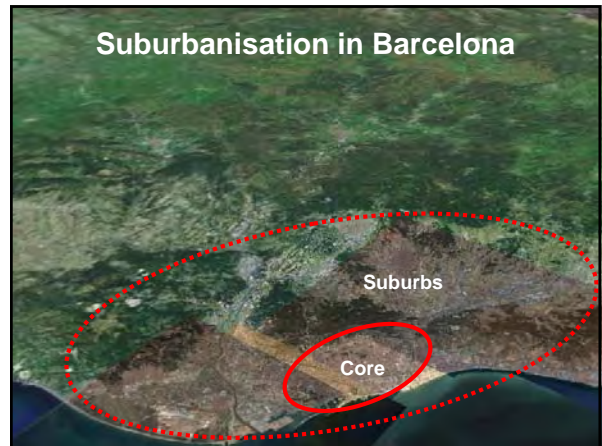
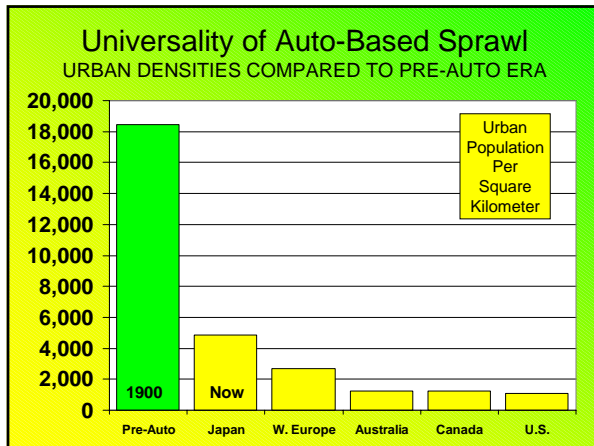
Merriam Webster: "the spreading of urban developments on undeveloped land near a city"

Sprawl is "suburbanisation."

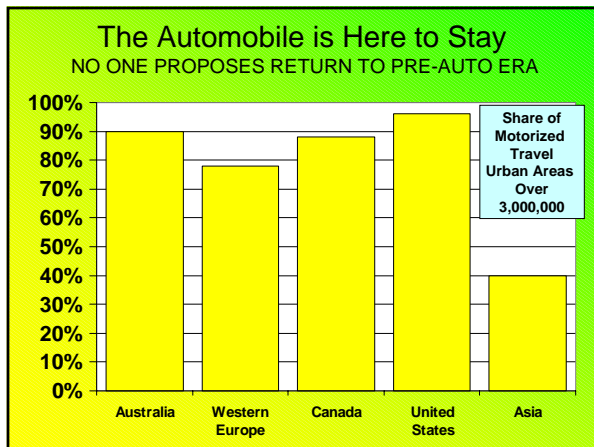
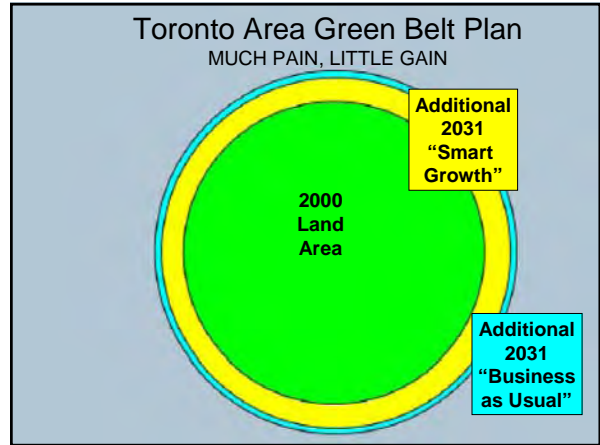
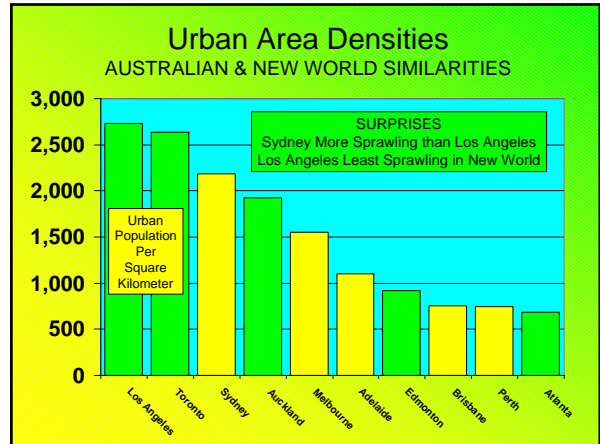
Sprawl is "urban growth" – nearly all urban growth in the high-income world has been suburban in recent decades.

Sprawl = Automobile oriented development (especially in Australia, the US, Canada, Western Europe and Japan).





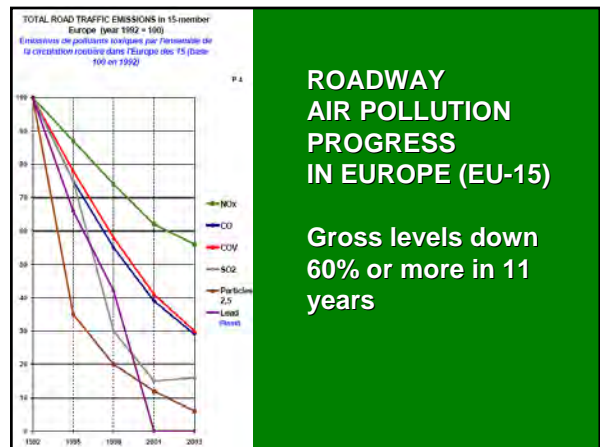
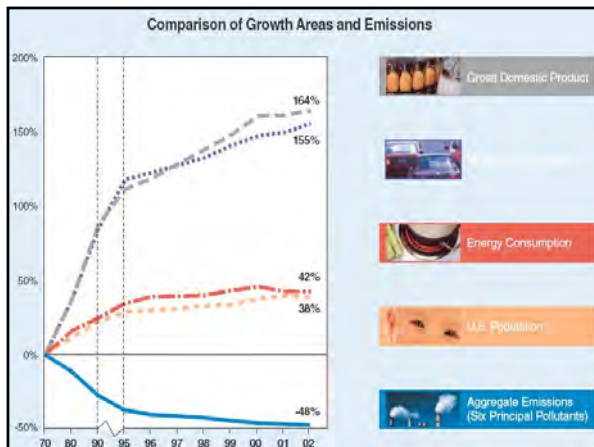
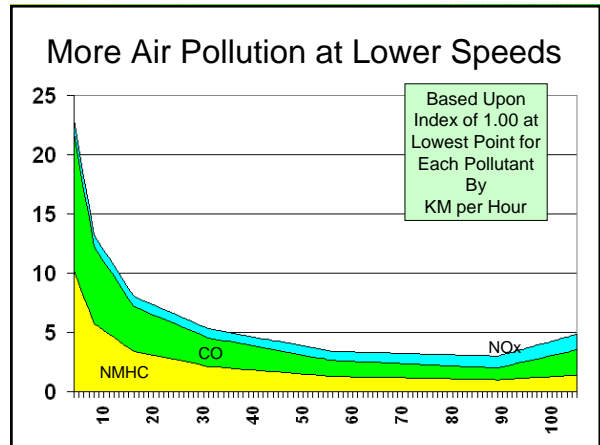
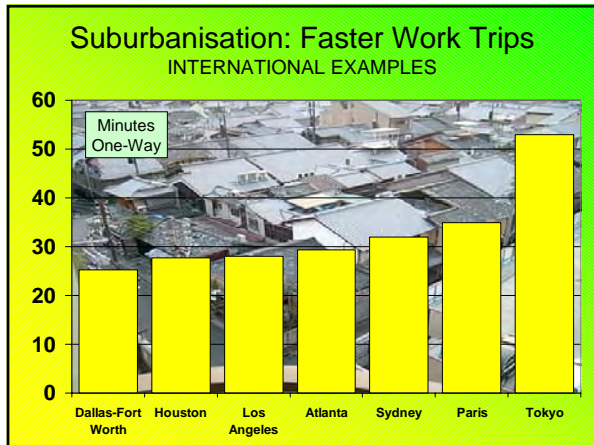
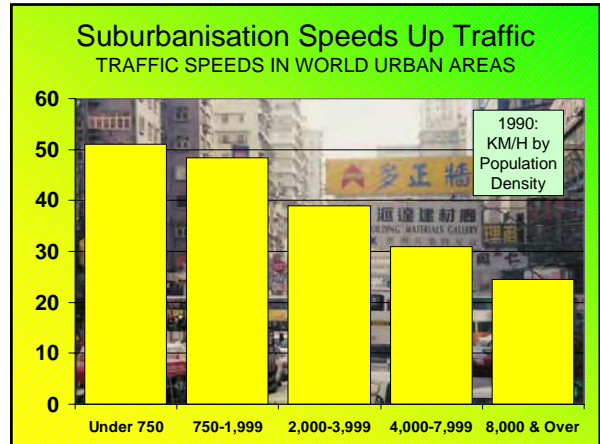
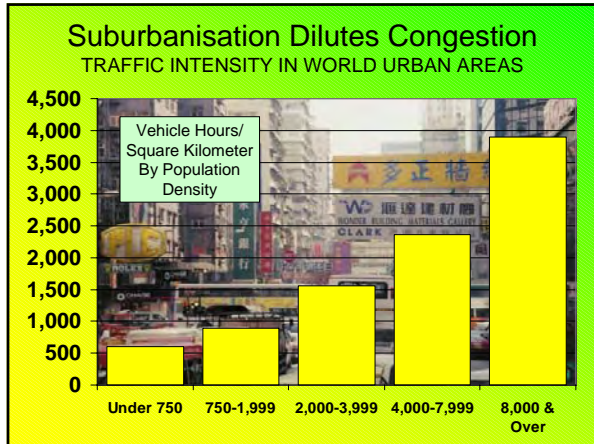


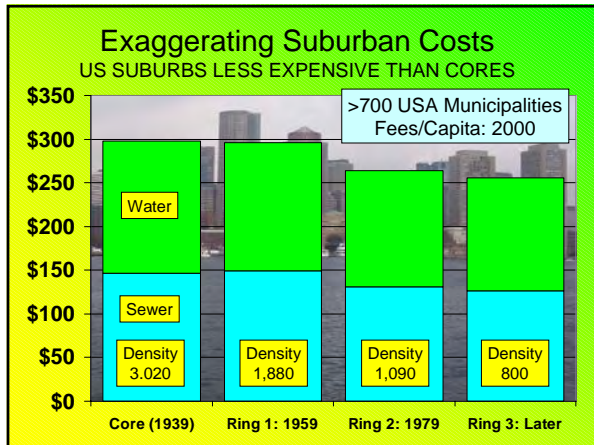
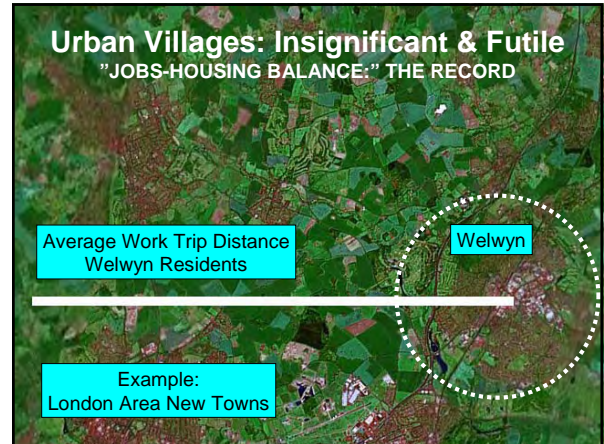
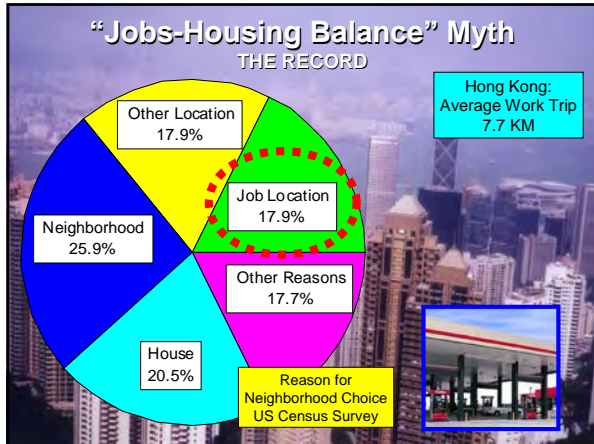


### Restore Public Transport City?

REJECT AUTO BASED URBAN AREA?

- No serious proposals.
- Would require dismantling more than 85% of urban area & resettlement.
- Auto oriented urban area is here to stay.
- Densification worsens the quality of life.

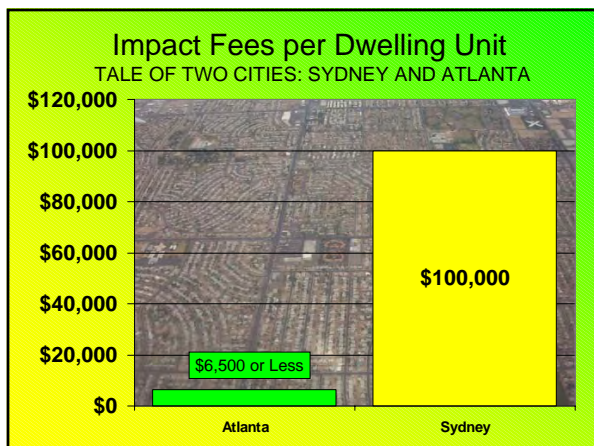




### Suburban Cost Research

U.S.A. "CANNOT AFFORD" SUBURBANIZATION?

- How did we manage to afford the last 60 years?
- Bankrupt suburbs predictions: 1960s
- Studies: Theoretical, not real data.
- \$225 billion US cost *claim* (to 2025) \$30 per capita annually



### Suburban Cost Research

"ILL INFORMED & DISINGENUOUS"

"... if the urban policies ... were not so ill informed and presented in such a disingenuous way, there would not be a need for this contribution to the debate on Australia's cities"

- Patrick Troy (*The Perils of Urban Consolidation*).





### NOT SINCE COPERNICUS

... has the conventional wisdom been so wrong.

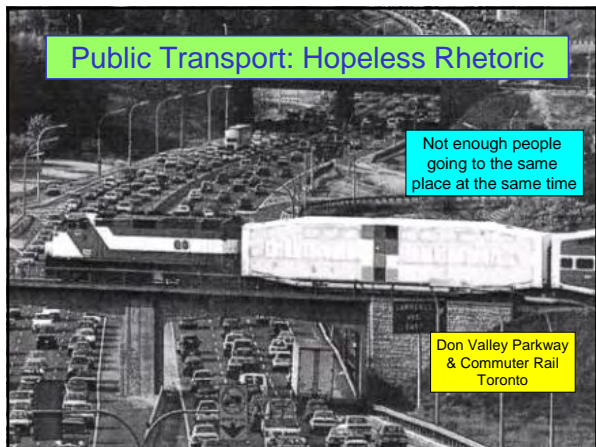
no imperative has been demonstrated.

### Factors Driving Suburbanisation

IT IS MORE THAN POPULATION GROWTH

- Strong Post-War population growth
- People moving from rural areas to urban areas
- Housing growth well above population growth  
Average household size down 1/3
- Larger, more efficient commercial structures
- Employment growth well above population growth  
Contributing factor: More women in the workforce
- Affluence

### Public Transport: Hopeless Rhetoric

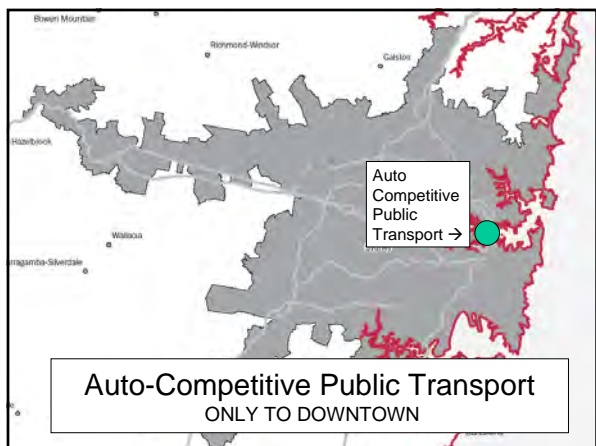
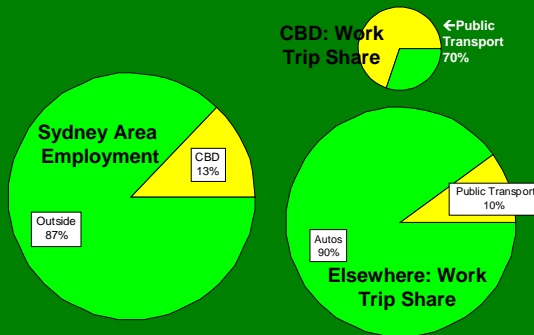


Not enough people going to the same place at the same time

Don Valley Parkway & Commuter Rail Toronto

### Public Transport Work Trip Share

IMPORTANT TO CBD, A SMALL PART OF THE MARKET



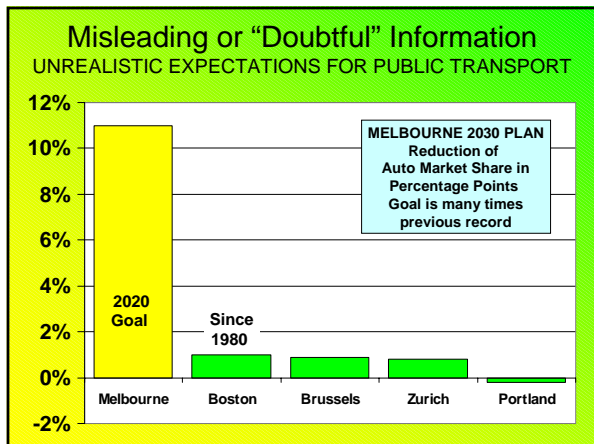
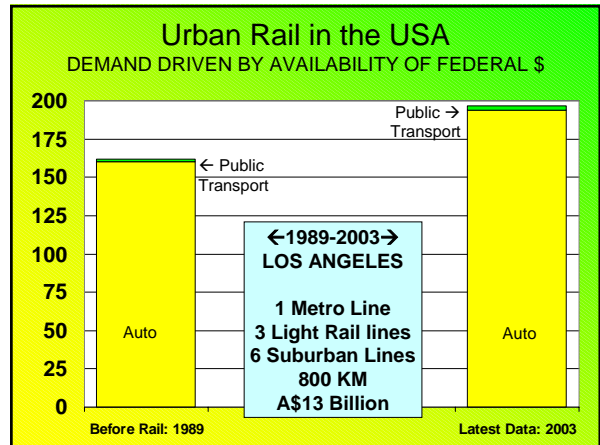
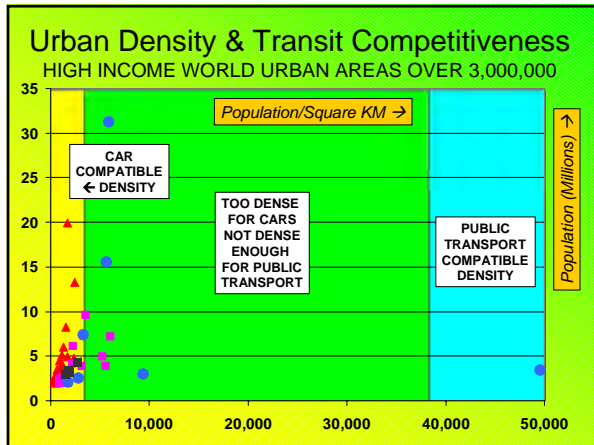
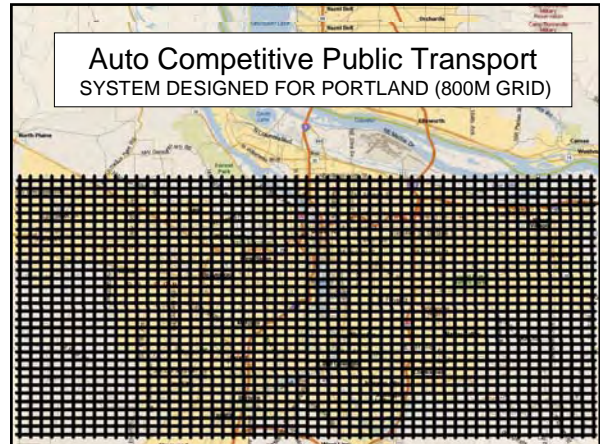
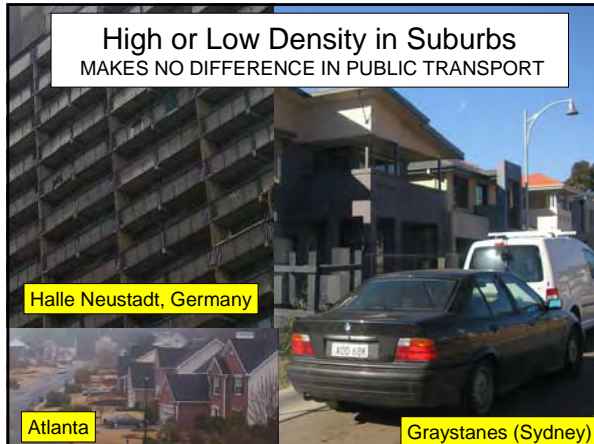
Auto-Competitive Public Transport ONLY TO DOWNTOWN

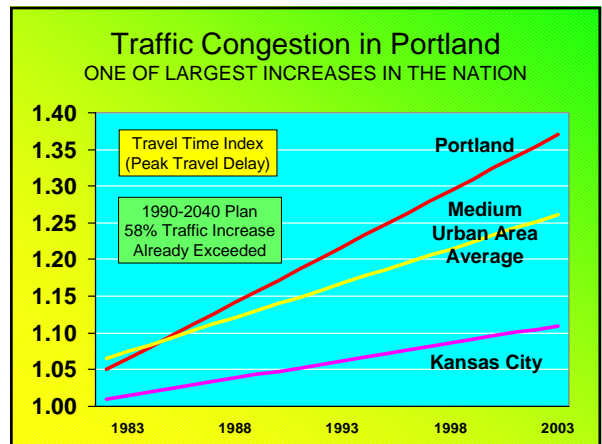
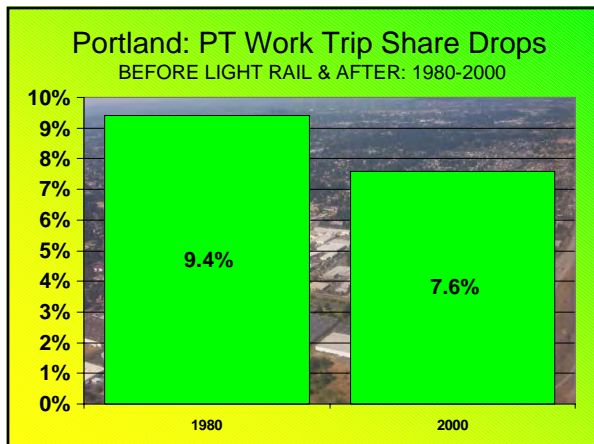
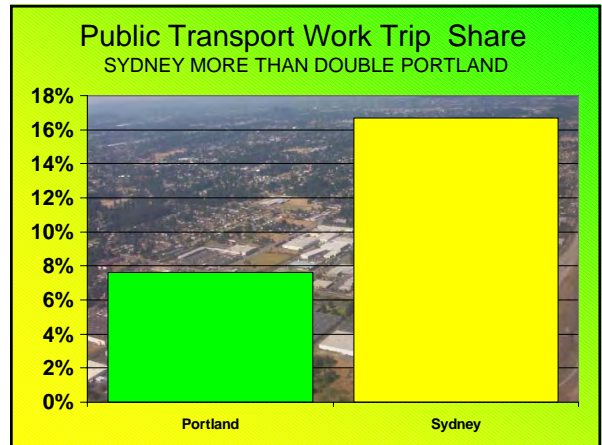
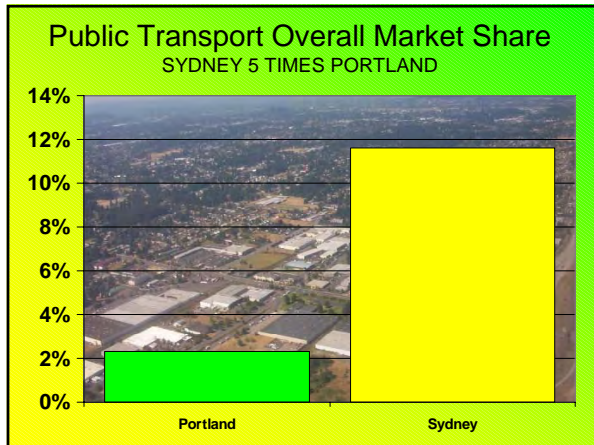
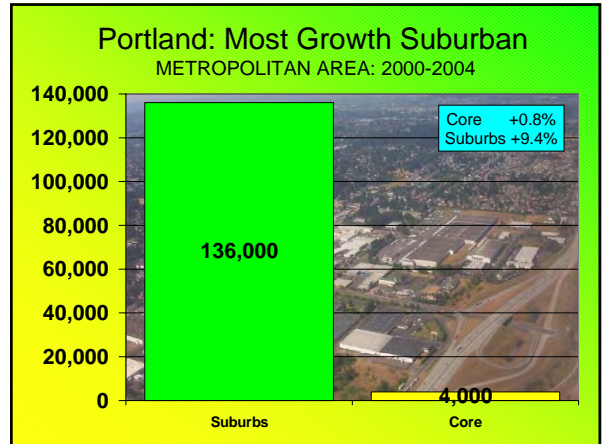
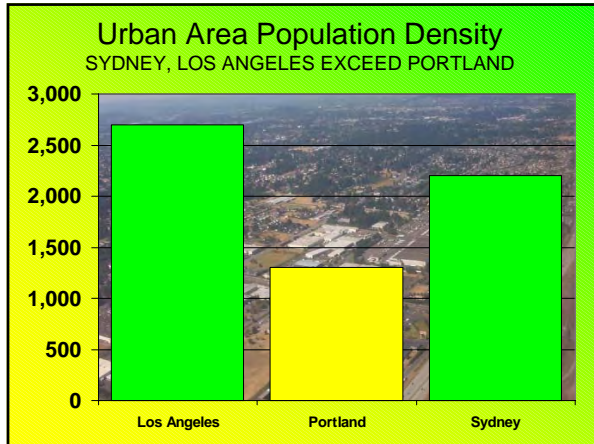
### Most Employment is not Downtown



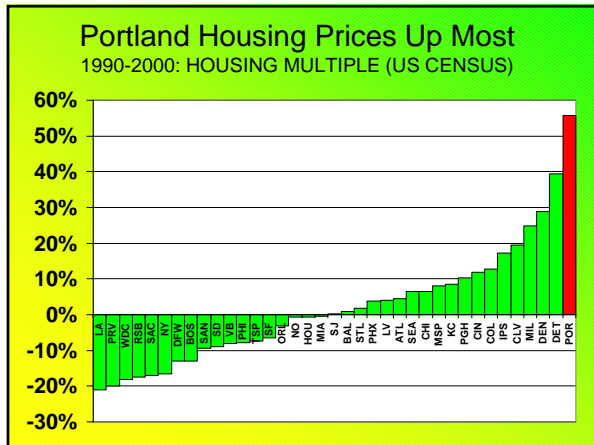
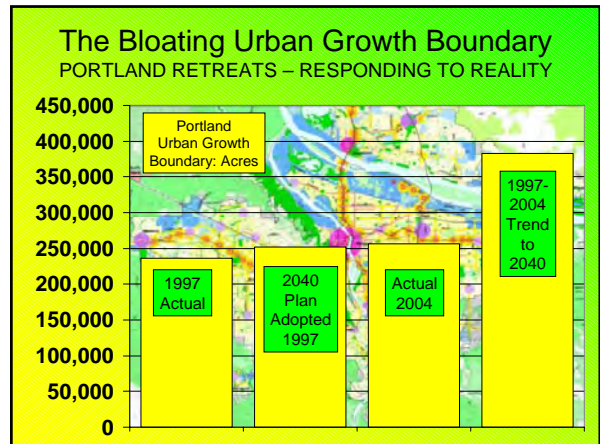
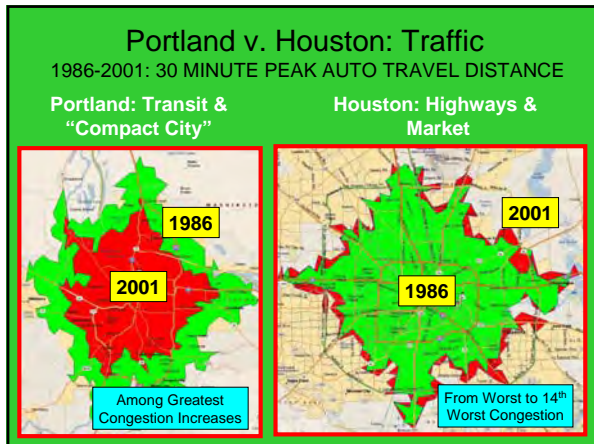
Nor West Business Park Baulkham Hills











### Urban Consolidation: Not Sustainable

RETREAT: PORTLAND AND ELSEWHERE

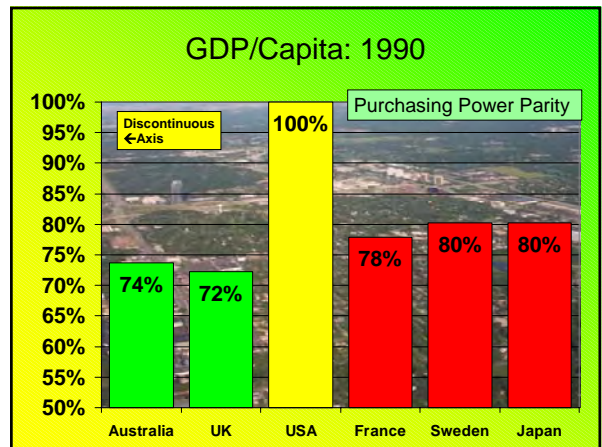
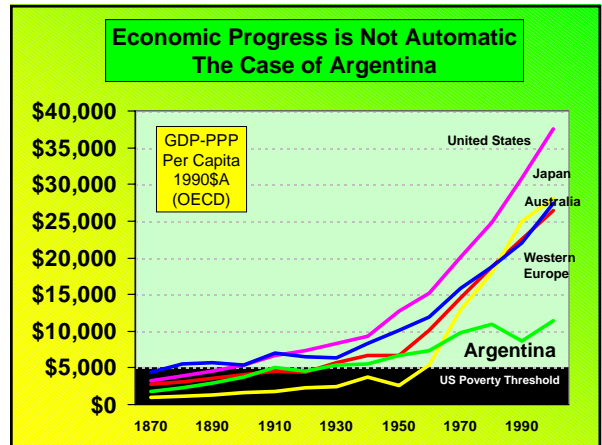
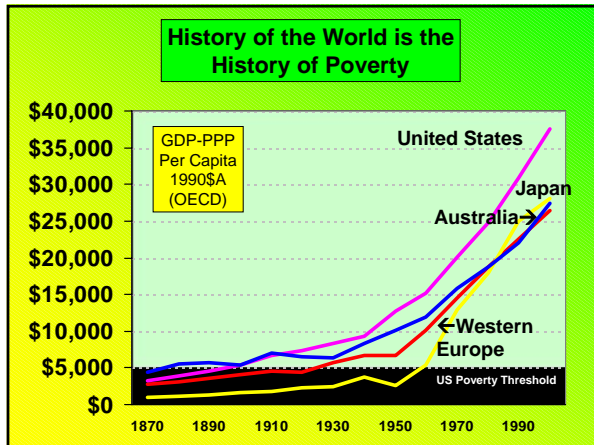
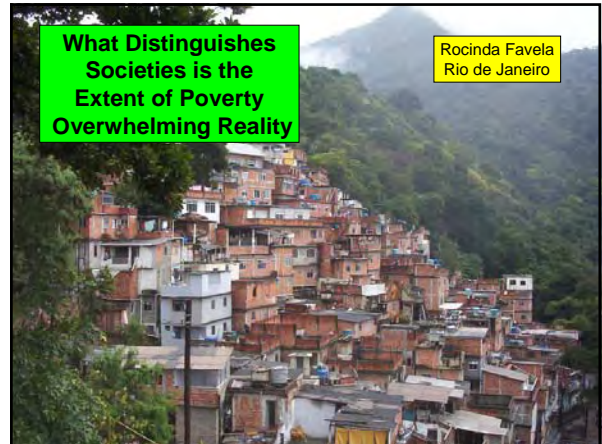
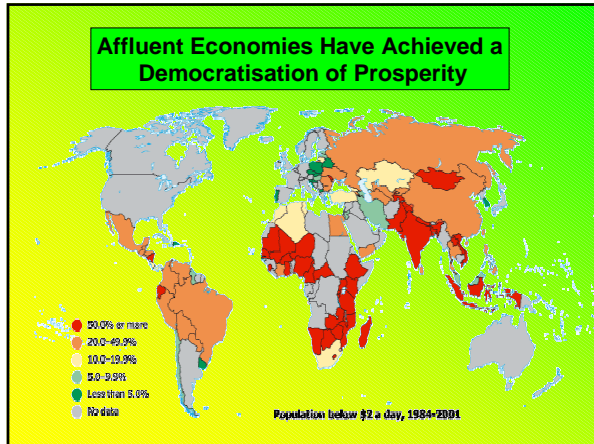
**Portland**

- Anti-densification referendum (2/3)
- Property Rights referendum (2/3)
  - Requirement to pay for economic loss from zoning changes

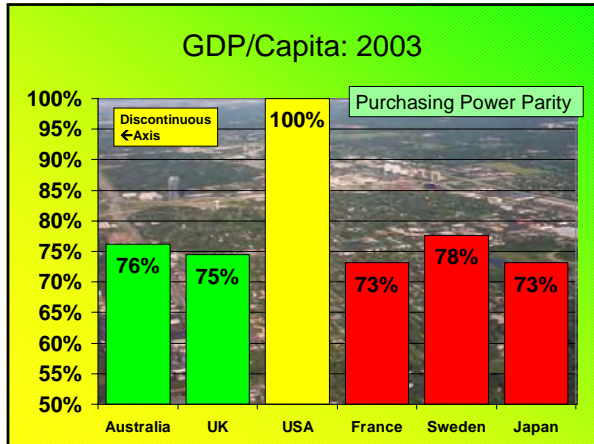
**Other Retreats**

- Minneapolis-St. Paul
- New Jersey
- Maryland
- Suburban Washington, DC









## THE POWER OF PRODUCTIVITY

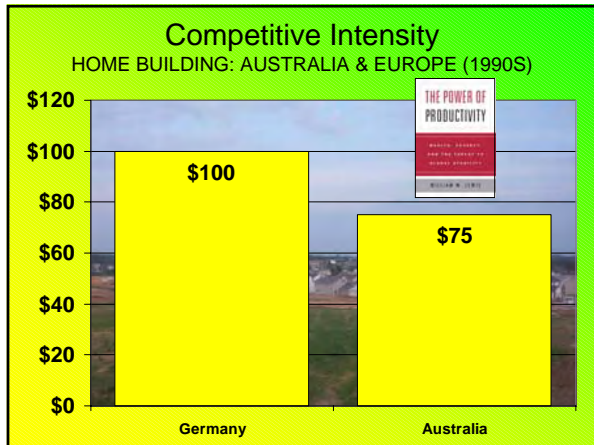
WEALTH, POVERTY, AND THE THREAT TO GLOBAL STABILITY

WILLIAM W. LEWIS

**STRENGTH OF THE LIBERAL ECONOMIES**

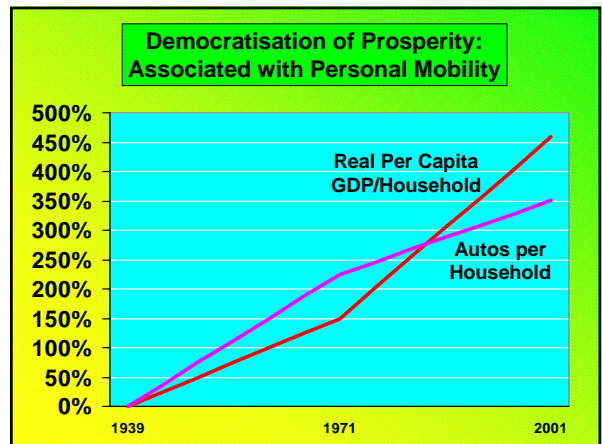
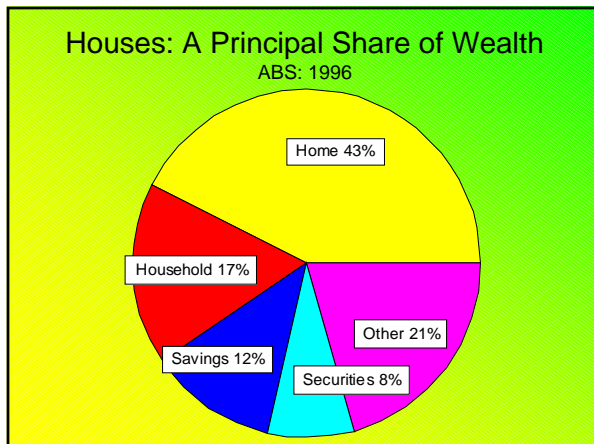
“Competitive intensity”

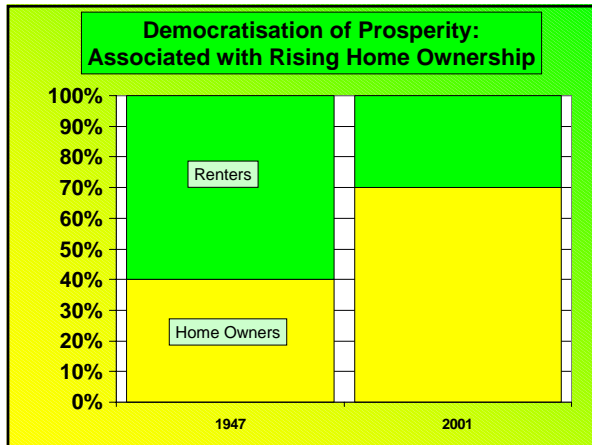
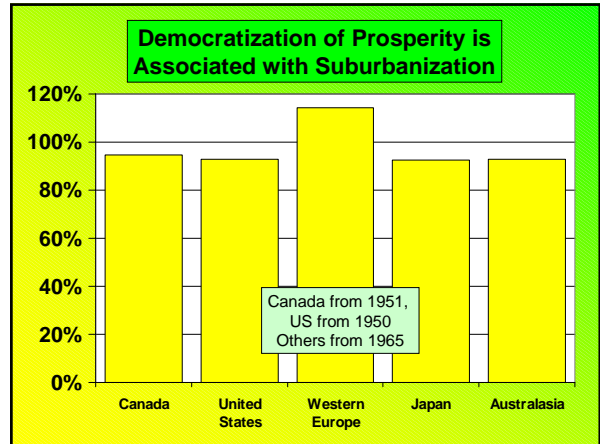
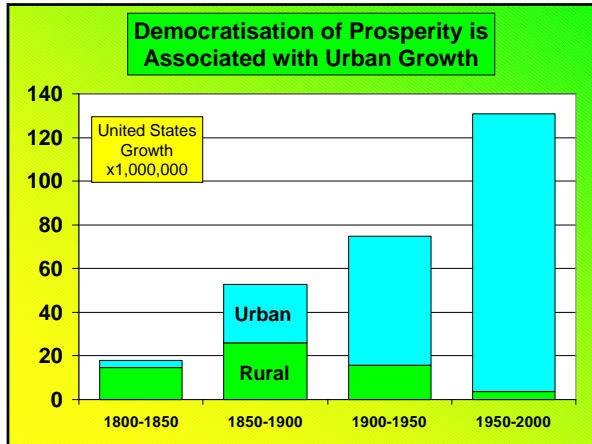
Examples:  
Less restrictive land regulation  
Retailing



### Competitive Intensity

ECONOMIC FREEDOM AND AFFLUENCE





## COMMON SENSE ECONOMICS

What Everyone Should Know About Wealth and Prosperity

JAMES GWARTNEY,  
RICHARD L. STROUP, AND DWIGHT B. LEE

**BASIC ECONOMIC PRINCIPLE**

*SCARCITY & RATIONING TEND TO RAISE PRICES*

Rationing land for housing development tends to raise house prices.

Higher housing prices lead to lower rates of home ownership.

### Smart Growth: Strategies & Housing Impacts

STRATEGIES	EXAMPLES	IMPACTS
Urban Growth Boundaries & Green Belts	Australia Portland Denver London Toronto	Raises housing prices
Down-zoning	Northern Virginia, Boston	Raises housing prices
Excessive Development Impact Fees	Australia California	Raises housing prices



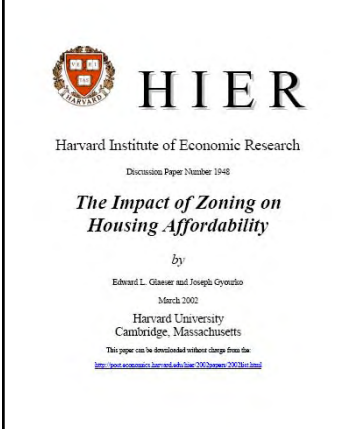
**“Sun Rises in the West” studies**



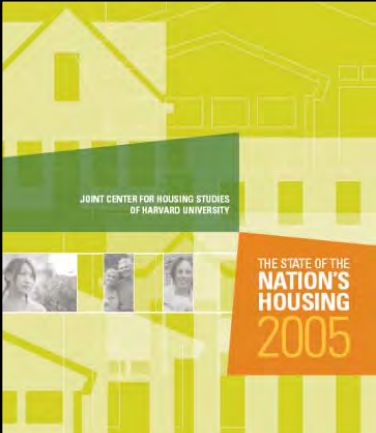
**Italian Dream Milan**

**ANDRES DUANY**

There is NO question that urban growth boundaries and that elaborate environmental public processes increase the cost of housing by creating scarcity. (And don't tell me otherwise, because I am not stupid, nor am I inexperienced, nor do I have underdeveloped powers of observation).




**...our evidence suggests that zoning and other land use controls play the dominant role in making housing expensive.**



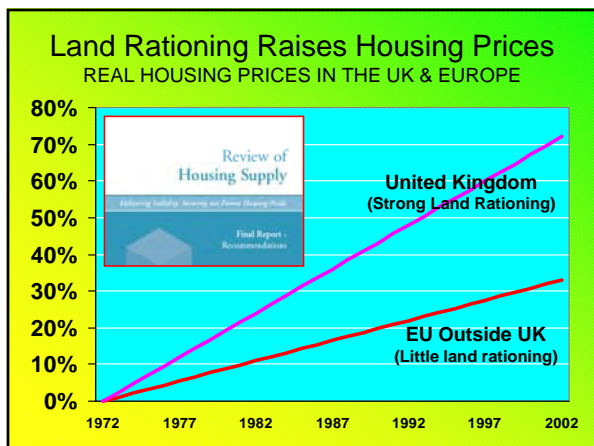
**HARVARD STATE OF THE NATION'S HOUSING 2005**

“Development constraints drive up land and construction costs as well as prevent new housing from keeping pace with rising demand.”



**WACHOVIA BANK**

“We have identified three major factors which have worked to restrain supply over the past decade, all of which remain very much alive and well today. The first is the spread of the Smart Growth, Slow Growth and No Growth movements throughout the country.”




**U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT REPORT**

“A number of communities ... have used smart growth rhetoric to justify restricting growth and limiting developable land supply, which lead to housing cost increases.”

  
 Joint Center for Housing Studies  
 WORKING PAPER SERIES



**Job Creation and Housing Construction: Constraints on Employment Growth in Metropolitan Areas**  
 Raven E. Saks  
 December 2004  
 W94-10

Graduate School of Design     John F. Kennedy School of Government  
 HARVARD UNIVERSITY

**LAND USE REGULATION RETARDS ECONOMIC GROWTH**  
  
 “metropolitan areas with stringent development regulations generate less employment growth than expected given their Industrial bases”

**Unaffordable Housing**  
 Fables and Myths

Alan W. Evans  
 and Oliver Marc Hartwich

**AN ALARM ON PLANNING IN THE UNITED KINGDOM**  
  
 “The nightmare scenario for the British economy could be that a ‘tipping point’ was reached where the financial services industry of the city decamps to cheaper cities elsewhere in Europe.”



**DEMOGRAPHIA**  
 International Housing Affordability Ratings And Rankings  
 2005.02  
*Published Properties Limited*

**The Courier-Mail**

**BREAKING NEWS**

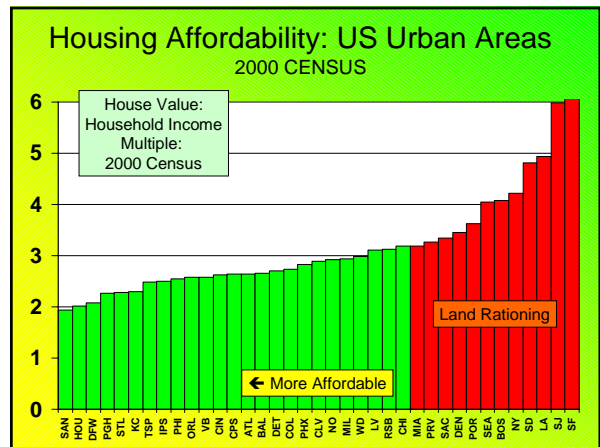
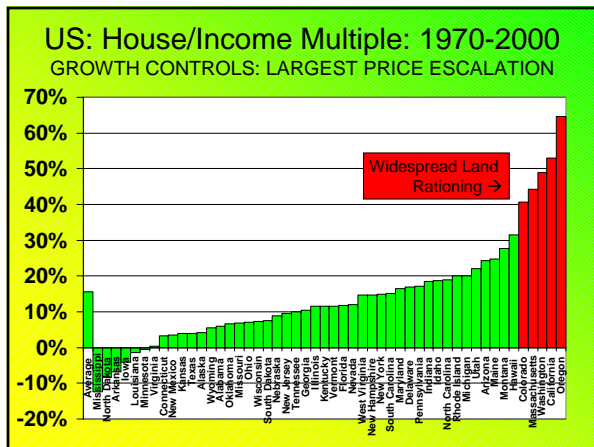
The news in brief on your preferred subject  
 Back    HOME JOURNAL SECTION    TODAY'S STORY

**Sydney, Melbourne simply not affordable**  
By Shane Wright

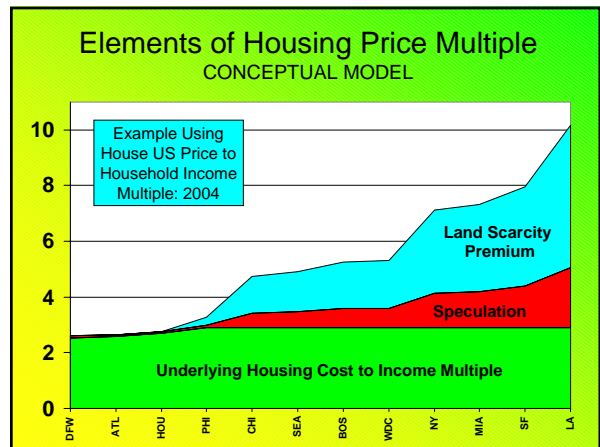
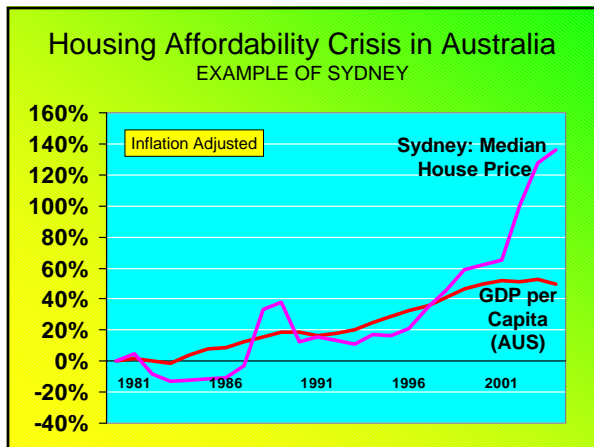
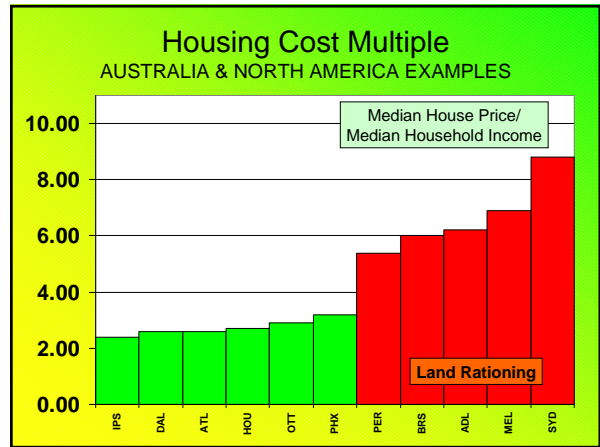
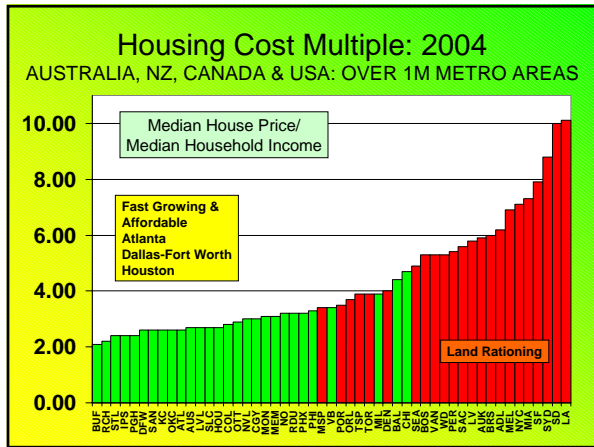
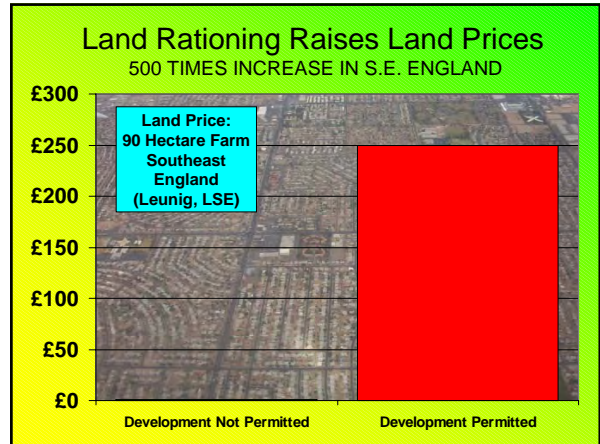
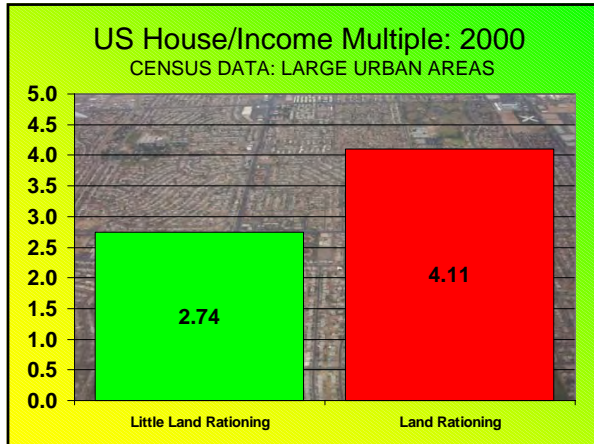
Kiwi Dream  
 Auckland

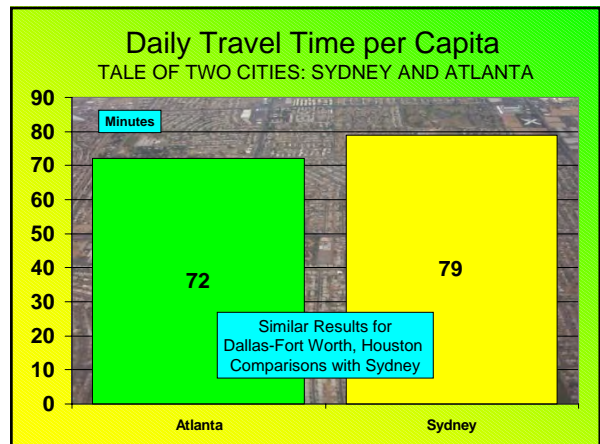
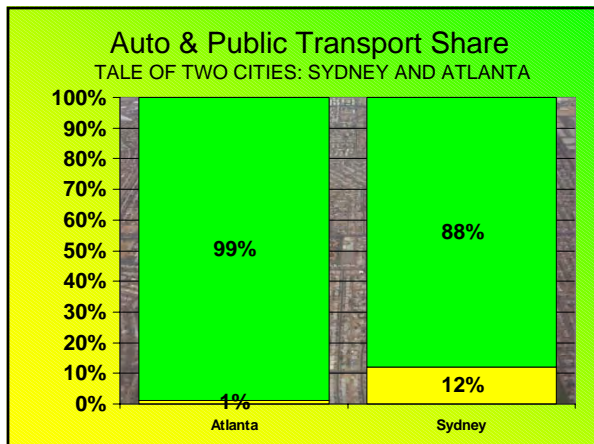
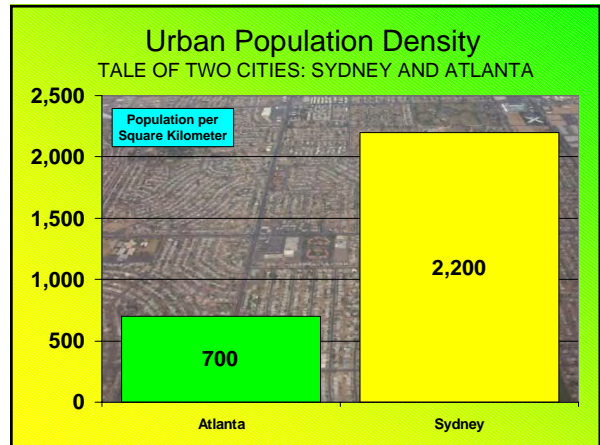
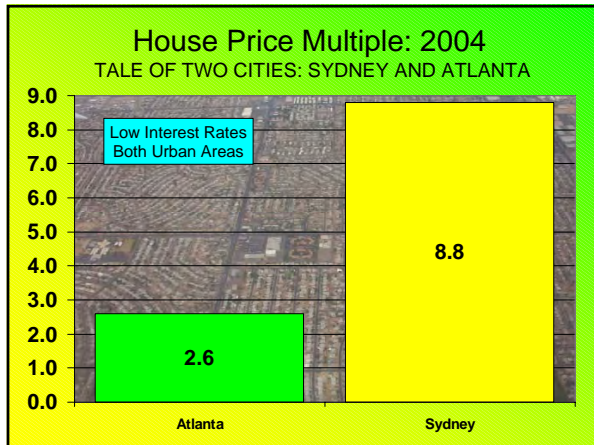
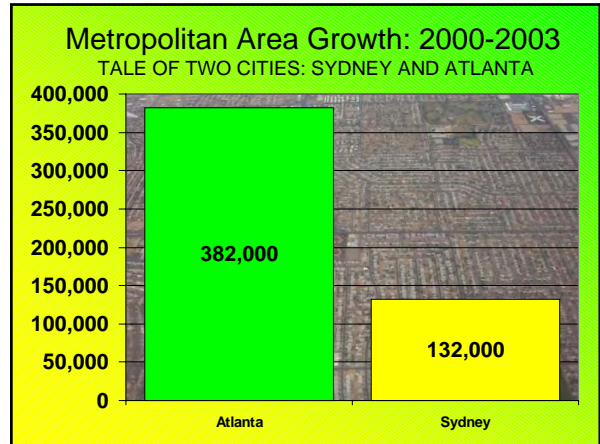
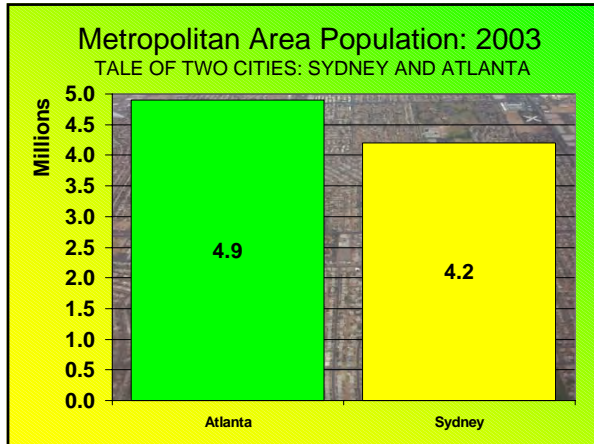
**House Price/Income Multiple**  
 A SIMPLIFIED MEASURE

- Median house price divided by median household income.
- Permits ready comparison, national and international
- Simplified and understandable
- Historical value: Approximately 3.0







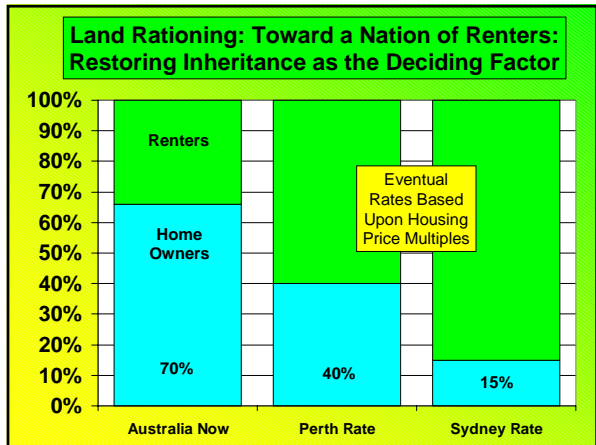
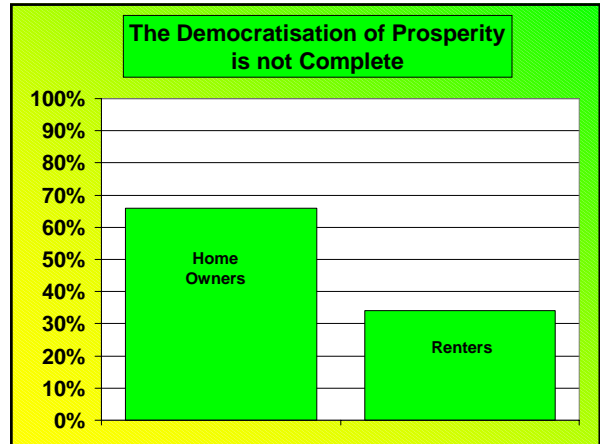




### Conclusions

TALE OF TWO CITIES: SYDNEY & ATLANTA

- Similar interest rates
- Sydney housing affordability much worse
- Atlanta larger
- Atlanta housing demand greater (faster growth)
- Sydney urban population density higher
- Both have high auto market shares, but Sydney has larger public transport share.
- Less travel time in Atlanta.



**AIC Online Policy Report**  
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*Perspectives from four continents*  
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**CHICAGO SUN-TIMES**  
suntimes.com  
Looming Social Security crisis demands action now

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CFOs expect pension crisis to linger

**news.telegraph**  
Public sector pensions bill for taxpayers hits £700bn  
By Ian Gowrie, Personal Finance Editor  
(Filed: 18/02/2005)

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But “Smart Growth:” constitutes an assault on the economy.

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