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2nd ANNUAL EDITION

DEMOGRAPHIA INTERNATIONAL HOUSING AFFORDABILITY
SURVEY

United Kingdom	Republic of Ireland
United States	Canada
Australia	New Zealand

HOW DOES YOUR CITY RATE?

**“LAND SUPPLY STRANGULATION MAJOR CAUSE OF HOUSING
AFFORDABILITY CRISIS” – DEMOGRAPHIA SURVEY**

The 2nd annual 2006 Edition of the Demographia International Housing Affordability Survey expands coverage to the United Kingdom and the Republic of Ireland, together with the nations included in the first edition, Australia, Canada, New Zealand and the United States.

The Survey authors are Wendell Cox of the Wendell Cox Consultancy (Demographia), St Louis, Illinois, United States and Hugh Pavletich, Pavletich Properties Ltd, Christchurch, New Zealand.

The Survey rates the affordability of the one hundred major urban property markets, using the Median Multiple approach. This identifies the median household income and the median house price of all these individual urban areas and expresses affordability by the number of year’s median household income it would take to purchase the median priced house. This is termed the Median Multiple.

This Survey in using this Median Multiple approach, is unique in providing standardized comparisons of affordability within nations and internationally. It clearly sets out why

well governed urban property markets achieve a Median Multiple of three (3) or below. This means that median house prices should not be any more than three times median household incomes.

Affordable markets have a Median Multiple Rating of 3 or less; Moderately unaffordable markets a rating of 3.1 to 4.0; seriously unaffordable markets 4.1 to 5.0 and severely unaffordable markets 5.1 and above.

Of the six countries and one hundred major urban property markets covered, 24 are affordable, 23 moderately unaffordable; 11 seriously unaffordable and 42 severely unaffordable.

All the major urban property markets of New Zealand are severely unaffordable as is the major city of the Republic of Ireland, Dublin. Of the Australian urban markets, six are severely unaffordable with two being seriously unaffordable. The United Kingdom has just one moderately unaffordable market with the other eleven being severely unaffordable. Canada has three affordable, four moderately unaffordable, one seriously unaffordable with Vancouver being severely unaffordable. The huge and diverse United States has twenty one affordable markets, eighteen moderately unaffordable, eight seriously unaffordable and twenty severely unaffordable urban markets.

All the affordable markets are in North America, with three in Canada and twenty one in the United States. There are no affordable urban property markets in the United Kingdom, Ireland, Australia and New Zealand.

New and existing house sizes differ significantly between the countries surveyed. The average new house size in Australia and the United States is 2,200 square feet, Canada and New Zealand around 1,900 square feet and both the United Kingdom and Ireland an extraordinarily low 815 square feet and 930 square feet respectively. New British housing is now only 15% larger than the former East German slab developments, of which one million have been vacated, since the reunification of East and West Germany.

Whilst these house size differences are not included within the Ratings of the Survey, the issue is discussed and illustrated within the Survey Commentary. The British and Irish housing stock is comparatively extremely highly priced and of a poor standard.

The 2006 Demographia International Housing Affordability Survey illustrates how affordable most urban markets of the countries surveyed were five, ten and twenty years ago. Its findings suggest that the major cause of the loss of affordability within these markets is due to artificially strangled land supply.

Mr Cox expressed the view that this Survey will be of interest to emerging economies in particular, as they are in the process of installing and refining land use regulatory regimes that work best.

"Ireland's spectacular growth has been based on sound economic policies and is something to be admired" said Mr Cox adding "But the Irish people have been denied housing that befits their incomes. Much of the reason is over-regulation of land. There are similar problems in Britain."

He concluded, "The emerging nations of Eastern Europe and Asia would do well to avoid these mistakes by allowing the market to provide the best housing possible, built where people want to live. There's no reason to do otherwise."

The co author of the Survey Hugh Pavletich, is of the opinion that it is up to communities themselves to take responsibility for dealing with housing affordability and ensuring that they achieve Median Multiples of three or below within a reasonable time.

"The Demographia International Housing Affordability Survey provides a guide and readily understood measure, for communities themselves to work together in exploring solutions to this serious issue" said Mr Pavletich adding "Good quality and abundant housing can only happen from a foundation of good quality governance and communities that care".

Demographia International Housing Affordability Survey:

<http://www.demographia.com/dhi-ix2005q3.pdf>

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