



MEDIA RELEASE

Monday 25th January 2016

2016

**12th ANNUAL DEMOGRAPHIA INTERNATIONAL HOUSING AFFORDABILITY
SURVEY**

www.demographia.com

HOW DOES YOUR CITY RATE ?

367 URBAN MARKETS

OF

AUSTRALIA * CANADA

HONG KONG-CHINA * IRELAND

JAPAN * NEW ZEALAND

SINGAPORE * UNITED KINGDOM

UNITED STATES

THE 2016 12th ANNUAL EDITION ...

The 12th Annual Demographia International Housing Affordability Survey covers 367 metropolitan markets in nine countries (Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States). A total of 87 major metropolitan markets --- with more than 1,000,000 population --- are included, including five megacities (Tokyo-Yokohama, New York, Osaka-Kobe-Kyoto, Los Angeles, and London). The *Demographia Survey* may be the most comprehensive international comparison of housing affordability at the metropolitan area level.

Rating Middle-Income Housing Affordability

The *Demographia International Housing Affordability Survey* rates middle-income housing affordability using the "Median Multiple." The Median Multiple is widely used for evaluating urban markets, and has been recommended by the World Bank and the United Nations and is used by the Joint Center for Housing Studies, Harvard University. The Median Multiple and other similar price-to-income multiples (housing affordability multiples) are used to compare housing affordability between markets by the Organization for Economic Cooperation and Development, the International Monetary Fund, *The Economist*, and other organizations.

More elaborate indicators, which mix housing affordability and mortgage affordability can mask the structural elements of house pricing are often not well understood outside the financial sector. Moreover, they provide only a "snapshot," because interest rates can vary over the term of a mortgage; however the price paid for the house does not. If house prices double or triple relative to incomes, as has occurred in many severely unaffordable markets, mortgage payments become much higher.

Historically, the Median Multiple has been remarkably similar in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States, with median house prices from 2.0 to 3.0 times median household incomes. However, in recent decades, house prices have been decoupled from this relationship in a number of markets, such as Vancouver, Sydney, San Francisco, London, Auckland and others. Without exception, these markets have severe land use restrictions (typically "urban containment" policies that severely ration land for development on the urban periphery) that have been associated with higher land prices and in consequence higher house prices (as basic economics would indicate, other things being equal). Further, periodic reviews of housing supply, put in place to maintain housing affordability in these metropolitan areas have generally not succeeded.

However, encouraging developments have been implemented at higher levels of government in New Zealand and Florida, and there are signs of potential reform elsewhere.

The perspective of the *Demographia International Housing Affordability Survey* is that domestic public policy should, first and foremost be focused on improving the standard of living and reducing poverty.

The *Demographia International Housing Affordability Survey* is produced to fill the gap left by urban planning policies that have largely failed to meaningfully monitor housing affordability in the areas under their jurisdiction. Virtually all of the geographies covered in the *Survey* are facing more uncertain economic futures than in the past. As always seems to be the case in economic matters, younger people and lower income people tend to be at greater risk. In this environment, securing a standard of living for younger people that at least equals that of their parents and facilitates upward mobility for all must be a principal policy priority – certainly one that is of higher and greater importance than urban form, how people travel or miniscule environmental gains.

Demographia uses the following housing affordability ratings (Table ES-1).

Table ES-1 <i>Demographia International Housing Affordability Survey</i> Housing Affordability Rating Categories	
Rating	Median Multiple
Severely Unaffordable	5.1 & Over
Seriously Unaffordable	4.1 to 5.0
Moderately Unaffordable	3.1 to 4.0
Affordable	3.0 & Under

Housing Affordability in 2015

The most affordable major metropolitan markets in 2015 were in the United States, which had a moderately unaffordable rating of 3.7, followed by Japan, with a Median Multiple of 3.9. Major metropolitan markets were rated "seriously unaffordable," in Canada (4.2), Ireland (4.5), the United Kingdom (4.6) and Singapore (5.0). The major markets of Australia (6.4), New Zealand (9.7) and Hong Kong (19.0) were severely unaffordable (Table ES-2).

The most affordable major metropolitan markets (Figure ES-1) were in the United States (Figure ES-1), with 13 markets rated as "affordable." The 10 most affordable markets were (#1-tie) Buffalo, Cincinnati, Cleveland, Rochester, (#5) Pittsburgh, (#6-tie) Detroit, Grand Rapids, Oklahoma City, St. Louis, (#10-tie) Columbus, Indianapolis and Kansas City, all with Median Multiples under 3.0, and rated as affordable.

Hong Kong's Median Multiple of 19.0 was the highest recorded (least affordable) in the 12 years of the *Demographia International Housing Affordability Survey*. Sydney was the second least affordable major market, with a Median Multiple of 12.2. Sydney's increase of 2.4 points from its 9.8 Median Multiple in 2014 is the largest year-to-year deterioration ever indicated in the 12 years of the *Demographia International Housing Affordability Survey*. It is also the highest Median Multiple outside Hong Kong in the history of the *Survey*, extremes experienced on the US West Coast during the housing bubble of the last decade. Vancouver was the third least affordable major market, with a Median Multiple of 10.8. Auckland, Melbourne and San Jose all had Median Multiples of 9.7. They were followed by San Francisco at 9.4, and London (Greater London Authority), at 8.5. Two other markets had Median Multiples of 8.0 or above, including San Diego and Los Angeles, both at 8.1.

The *Demographia* list of the least affordable metropolitan areas is largely echoed by [UBS](#), the international financial services company headquartered in Switzerland. The five metropolitan areas ranked as most vulnerable to risk from a real estate bubble in the [UBS Global Real Estate Bubble Index](#) are each among the eight least affordable markets in the *Demographia Survey* (London, Hong Kong, Sydney, Vancouver and San Francisco).

Table ES-2 Housing Affordability Ratings by Nation: Major Markets (Over 1,000,000 Population)						
Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	0	0	0	5	5	6.4
Canada	0	2	2	2	6	4.2
China: Hong Kong	0	0	0	1	1	19.0
Ireland	0	0	1	0	1	4.5
Japan	0	1	1	0	2	3.9
New Zealand	0	0	0	1	1	9.7
Singapore	0	0	1	0	1	5.0
United Kingdom	0	1	10	6	17	4.6
United States	13	24	5	11	53	3.7
TOTAL	13	28	20	26	87	4.2

Overall, among the 367 markets, there were 89 affordable markets, 75 in the United States, nine in Canada, three in Ireland and two in Australia. There were 112 moderately unaffordable markets, 90 in the United States, 14 in Canada, four in Australia, two in the United Kingdom and one each in Japan and Ireland. There were 74 seriously unaffordable markets and 92 severely unaffordable markets. Australia had 33 severely unaffordable markets, followed by the United States with 29 and the United Kingdom with 17. New Zealand and Canada each had six severely unaffordable markets, while China's one market (Hong Kong) was also severely unaffordable (Table ES-3).

Table ES-3 Housing Affordability Ratings by Nation: All Markets						
Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	2	4	12	33	51	5.6
Canada	9	14	6	6	35	3.9
China (Hong Kong)	0	0	0	1	1	19.0
Ireland	3	1	1	0	5	2.8
Japan	0	1	1	0	2	3.9
New Zealand	0	0	2	6	8	5.2
Singapore	0	0	1	0	1	5.0
United Kingdom	0	2	14	17	33	5.1
United States	75	90	37	29	231	3.5
TOTAL	89	112	74	92	367	3.9

Beyond Ideology

Virtually all governments consider household economic issues as a top priority, especially increasing the standard of living and reducing or eradicating poverty. Yet economic growth has been laggard, and discretionary income trends are even more concerning. Housing costs, which represent the largest household expenditure category, have been rising much faster than incomes. The resulting stagnation or even decline in household discretionary incomes is at least as much a threat to prosperity and job creation as the limited gross income gains.

The largest losses in housing affordability have been associated with urban containment policy. Severely unaffordable housing (Median Multiple of 5.1 or higher) has occurred only in major metropolitan areas that have strong land use policy, especially urban containment boundaries and variations thereof.

Corrective measures that could halt or reverse losses in housing affordability from urban containment policy have either been absent or not been implemented. As a result, urban containment policy has been a profound policy failure, as house prices have doubled and tripled relative to incomes in many metropolitan areas.

Over the past year, the loss of middle-income housing affordability associated with urban containment policy has received greater attention. These include concerns about lost economic growth and the role concentration in housing wealth has played in increasing inequality. The difficulty that high house prices cause central bankers in their attempts to control inflation has been noted. New Zealand Deputy Prime Minister Bill English said that [urban planning itself has become an externality](#), by virtue of its impact on house prices, equality and the economy in New Zealand.

According to Harvard University economist Edward Glaeser:

“...we must never forget that any time we say ‘no’ to new building, whether in the city centre or on the edge, we are saying ‘no’ to families that want to experience the magic of urban life. We also ensure that every other family that lives in the city is paying more for their own homes.”

Cheshire, et al. have offered a solution, recommending that “...observed price discontinuities – the difference in market prices across boundaries of use categories – should become a ‘material consideration’ leading to *a presumption in favour of any proposed development* unless (a very important ‘unless’) it could be shown that the observed monetary value of the discontinuity reflected wider environmental, amenity or social values of the land in its current use.”

Emerging Consensus Across the Political Spectrum

Across the political spectrum, there is an increasing awareness of the economic damage that has been inflicted by strong land use regulation. New Zealand Labor Party Shadow Housing Minister Phil Twyford has written an opinion piece with business association executive Oliver Hartwich calling for land use policy reform. White House Chair of the Council of Economic Advisors Jason Furman has [expressed concern about the consequences of strong land use policy](#). Nobel Laureate and prominent left-of-center Economics Professor Paul Krugman of Princeton University and columnist for *The New York Times* was quoted as saying “... this is an issue on which you don't have to be a conservative to believe that we have too much regulation.” LSE Economists Paul Cheshire, Max Nathan and Henry Overman remind that “...

that the ultimate objective of urban policy is to improve outcomes for people rather than places” and that “... improving places is a means to an end, rather than an end in itself.”

2016 12th Edition Survey Introduction ...

... Australian Senator Bob Day AO ... ‘The Politics of Housing Affordability; A Contrived Crisis’

... It is important to remember that the "scarcity" that drove up land prices is wholly contrived - it is a matter of political choice, not geographic reality. It is the product of restrictions imposed through planning regulation and zoning.

The problem is, it is young home buyers, hit with spiraling costs of home ownership who end up paying. They are mostly forced into overpriced units and will never be able to afford their primary ambition – a free-standing family home of their own.

Quite apart from the economic foolishness of it all, it is morally wrong for legislators to be enriching some (established home owners) while impoverishing others (first home buyers).

We cannot deny the rising generation a home of their own merely to satisfy the ideological fantasies of urban planners and the financial concerns of State and Territory Treasury officials. We cannot deny ourselves the joys of grandchildren because young women have to work to pay mortgages instead of raising a family. The joke that high mortgages are the new contraceptive is becoming no laughing matter. Young women used to be afraid of getting pregnant, now, as they approach 40, they are afraid of not getting pregnant. We have to get back to the situation where a couple can pay off a mortgage on one income so they can start a family in their 20s, not in their late 30s or early 40s.

Earlier Business Spectator Interview with Senator Day on Housing ...

<https://www.youtube.com/watch?v=Jm95A95aZvQ>

FURTHER INFORMATION ...

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