

International Release

HOUSING AFFORDABILITY

HOW DOES YOUR CITY RATE?

Monday, January 26, 2009

DEMOGRAPHIA

2009 5TH ANNUAL DEMOGRAPHIA INTERNATIONAL HOUSING
AFFORDABILITY SURVEY

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

AUSTRALIA & NEW ZEALAND

LARGEST HOUSING BUBBLES IN ENGLISH SPEAKING
WORLD

United States Canada

United Kingdom Republic of Ireland

Australia New Zealand

The 2009 5th Annual Demographia International Housing Affordability Survey rates the housing affordability of 265 (last year 227) major urban markets of the United Kingdom (16 urban markets); Ireland (5); Canada (34); United States (175); Australia (27) and New Zealand (8).

The method employed in assessing housing affordability is the median multiple - where for each individual market, the median house price is divided by the gross annual median household income.

The internationally recognized standard of acceptable affordability is that house prices do not exceed three times annual household income (the median multiple).

The median multiple method is recommended by the United Nations and World Bank.

Demographia rates urban markets so that those with a median multiple 3.0 and below are affordable, 4.0 and below moderately unaffordable 5.0 and below seriously unaffordable and above 5.0 severely unaffordable.

On a country basis - Australia has the most unaffordable housing at 6.3 times annual household earnings, New Zealand 5.7 times, Ireland 5.4 times, United Kingdom 5.3 times, Canada 3.5 times and the United States has the least housing stress overall at 3.2 times annual household earnings.

Where the price of housing exceeds three times annual household income, these should be considered bubble markets.

This year's Survey found that the United Kingdom, Ireland, Australia and New Zealand have no affordable urban markets, while Canada has 10 (of 34) and the United States 77 (of 175).

There are no moderately unaffordable urban markets (at and below 4 times household income) in Australia, New Zealand, Ireland and the United Kingdom.

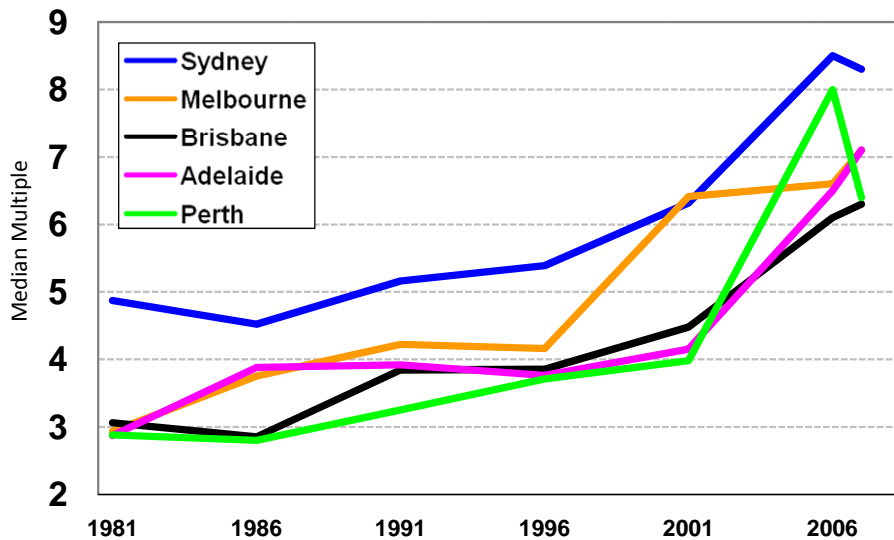
Table 2 Distribution of Markets by Housing Affordability Rating Category		
Rating	Median Multiple	Number of Markets
Affordable	3.0 or Less	87
Moderately Unaffordable	3.1 to 4.0	74
Seriously Unaffordable	4.1 to 5.0	40
Severely Unaffordable	5.1 & Over	64
TOTAL		265

Of the 6 countries surveyed - Australia has the worst housing affordability with 24 of its 27 major urban markets severely unaffordable.

Of the 265 urban markets surveyed by *Demographia*, the Sunshine Coast in Queensland has the most severely unaffordable housing within the English speaking world, with housing prices 9.6 times household earnings - above that of Honolulu at 9.1 times, the Gold Coast, Queensland 8.7, Vancouver, Canada 8.4, Sydney Australia 8.3, San Francisco 8.0, Los Angeles 7.2, New York 7.0 and London, United Kingdom at 6.9 annual household earnings.

Housing Affordability Trend: Australia

MARKETS: 1981-2008



The co author of the Annual Survey Hugh Pavletich said "*Sadly the Rudd Federal Government response to date has been an existing property owners gifting program, sold to the public as first home buyer grants. His Government, with those of the States and Local Governments, obviously need to with urgency, start dealing effectively with the real structural issues*".

The *Demographia Survey* found with respect to New Zealand, that of the 8 markets surveyed, 7 were severely unaffordable with one seriously unaffordable.

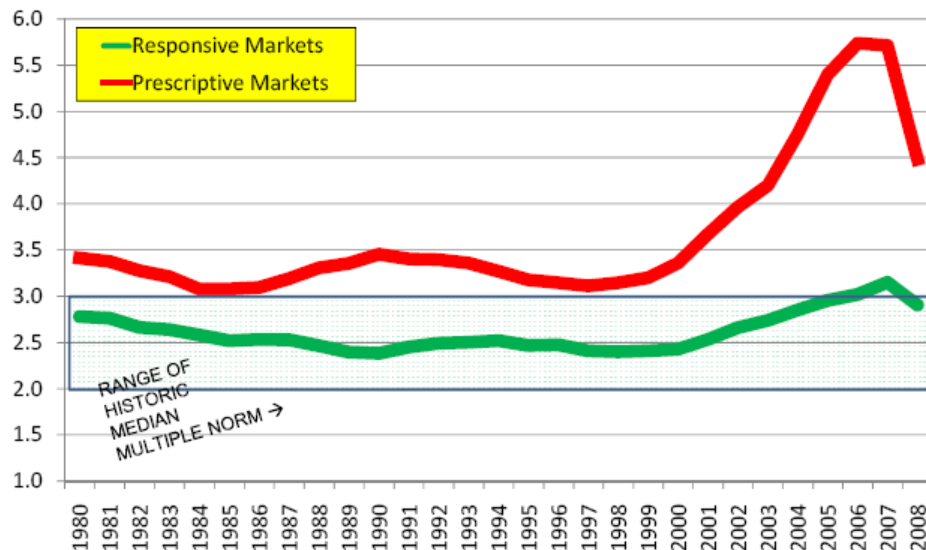
“This is nonsense” said Mr Pavletich “when one considers that the total population of New Zealand is just 4.3 million people, with a land area much the same size as the United Kingdom with 61 million people”.

Both the United Kingdom and Ireland's housing grossly exceeds the affordable ranking of 3.0 times household earnings and below - at 5.3 and 5.4 times household earnings overall.

Mr Wendell Cox, the co author of the *Demographia Survey* said “It is heartening to see the long overdue first steps taken by the Brown Government, following the Turner Review, urgently opening up more land supply in rural areas and smaller towns”.

Housing in both the United States and Canada is mainly affordable or moderately unaffordable. The stressed markets are generally on the east and west coasts and it was the foreseeable collapsing of the California housing bubble, that precipitated the global financial crisis aggravated by the inevitable bursting of other global housing bubbles.

Median Multiple Trend: 1980-2008 MAJOR RESPONSIVE & PRESCRIPTIVE MARKETS: USA



The authors of the *Survey* are of the view that if these artificially created housing bubbles (where housing exceeds three times household income) had not occurred, we would likely not have a global financial crisis today.

If the median household income of a particular urban market is \$50,000, the median house price should not exceed \$150,000 (3 times earnings) and acceptable new stock should be allowed to be built at the fringe for \$125,000 (2.5 times earnings). If the local median household income is \$60,000, housing should not exceed \$180,000, with new housing stock being provided on the fringe for \$150,000.

The fringe is the inflation or supply vent of an urban market.

(Note to local media - please refer to your local annual median household income as stated within this *Demographia Survey* and where appropriate, ask your local politicians and regulatory authorities, why housing in your urban market exceeds 3 times annual household income and why new housing is not being provided on the fringe at 2.5 times your local median household income. And most importantly ask what they intend to do about it.)

Within the Preface to this years *Demographia Survey*, Dr Shlomo (Solloy) Angel, Adjunct Professor of Planning at New York University, Lecturer at Princeton University and author of *Housing Policy Matters* states –

“Protecting adequate amounts of green areas surrounding our cities be it for conserving fertile farm lands, creating public open spaces, or protecting sensitive natural habitats indeed is a lofty and sensible goal, and environmentalists the world over should be commended for championing it. But the protection of open space is not without cost. If the selective protection of open spaces is translated in to blanket containment policies that restrict the supply of urban land in one way or another, then land markets are affected. The effects need to become more transparent and we need to explore the impact on the efficiency, equity and sustainability of urban development. Unfortunately, most of those chiming in on this debate reflect ideological positions of one kind or another rather than investigating the available data and exploring the causal connections in the data more rigorously.”

“In the hundreds of cities with overpriced housing characterized in the Survey, first time home owners and renters will continue to confront exorbitant expenditures on shelter, while the public debate continues on whether or not to relax the stranglehold on the supply of land for residential construction. We can only hope that by continuing to focus attention on the issue, one of the most critical issues now facing our cities, the authors of the Survey will continue, as they have before, to broaden the discussion and to improve the evidence necessary, to arrive at the right political choices now confronting growing cities everywhere.’

ENDS

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