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New Study Shows American Dream Under Threat from Excessive Regulation

ST. LOUIS, Missouri-Illinois (October 6, 2010). New research from Demographia, an international public policy consulting firm shows that the American Dream of home ownership has all but ended in some metropolitan areas. The just released *Demographia Residential Land & Regulation Index* shows, for example, that new house costs have skyrocketed in San Diego as a result of land and regulation costs, which have risen to 13 times normal. In four other metropolitan areas (Minneapolis-St. Paul, Portland, Seattle and Washington-Baltimore) land and regulatory costs have risen from two to six times normal. In contrast, land and regulation costs in six metropolitan areas, Atlanta, Dallas-Fort Worth, Houston, Indianapolis, Raleigh-Durham and St. Louis, remain at historic normal levels.

Demographia Residential Land & Regulation Cost Index Chart: <http://demographia.com/dri-fig1.gif>

The increase in land and regulation cost is estimated to have added \$220,000 to the price of entry level new housing in San Diego and from \$29,000 in Minneapolis-St. Paul to \$74,000 in Washington-Baltimore. "Excessive regulations have driven house prices up strongly in some metropolitan areas, where the American Dream of home ownership could become a thing of the past," said Wendell Cox, principal of Demographia and a long-time visiting professor at a large Paris university. He added that "in other metropolitan areas, the Dream of home ownership remains alive and it is not surprising that households are flocking to these areas."

Cox went on to say that "this massive loss in housing affordability was an unanticipated consequence of regulations that have imposed urban growth boundaries, building moratoria, excessively expensive development impact fees and bureaucratic processes." Before the restrictive regulations were imposed, there was little difference in new or existing house prices relative to incomes between the nation's metropolitan areas.

More restrictive regulations often go by the innocent sounding labels of "smart growth" and "growth management," however these regulations are routinely adopted without any consideration of the longer term impacts on housing affordability and the standard of living for average Americans. These impacts are particularly ominous given the recession, proposals for higher tax increases and the possibility that job creation and economic growth may be less robust in the future.

Economic research has documented the association between more restrictive land use regulations and house prices. This reduces the standard of living by leaving less household income for other needs. Just as importantly, more restrictive land use regulations tend to reduce job creation and economic growth in the metropolitan areas where implemented.

Demographia is an international public policy consulting firm. Demographia is also publisher of the *Annual Demographia International Housing Affordability Survey*, now in its sixth edition, which rates more than 275 metropolitan markets in six nations. This first *Demographia Residential Land & Regulation Cost Index*, covers 11 metropolitan areas from around the United States and will be expanded to other areas in future editions.

Downloads:

Summary report: <http://demographia.com/dri-summ.pdf>

Full report: <http://demographia.com/dri-full.pdf>

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