Democratising Prosperity: Global Perspectives on Housing Affordability

Presentation to the National Planning Conference Housing Industry Association Melbourne By Wendell Cox 28 July 2005

A MUCH BROADER ISSUE
More than land use
More than cities
Current land use policies in Australia (and elsewhere) are undermining the mechanisms of wealth creation and threaten to worsen the quality of life and expand poverty.

Housing Affordability Crisis in Australia
EXAMPLE OF SYDNEY

Housing Affordability in the USA
THE RULE, NOT THE EXCEPTION

OUTLINE
UNDERSTANDING “URBAN SPRAWL”
PUBLIC TRANSPORT: HOPELESS Rhetoric
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)
“places not worth caring about”
— Jason Hadlow Krieger (The Geography of Misfortune)

NOT A BRIEF FOR SPRAWL
LONE MOUNTAIN COMPACT

“... absent a maternal threat to other individuals or the community, people should be allowed to live and work where and how they like.”

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).

Understanding “Urban Sprawl”

History of Urban Growth is the History of Sprawl

Australian Dream Melbourne

Australia: No Shortage of Land
Human Footprint in Australia: 1981-2002

- Urban (<0.3% of Land)

Agriculture & Farming
The Automobile is Here to Stay
NO ONE PROPOSES RETURN TO PRE-AUTO ERA

- Share of Motorized Travel Urban Areas

- Over 3,000,000

- Australia
- Western Europe
- Canada
- United States
- Asia

Restore Public Transport City?
REJECT AUTO DANCED URBAN AREA?

- No such 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.

Suburbanization Dilutes Congestion
TRAFFIC INTENSITY IN WORLD URBAN AREAS

- Vehicle Hurr/ Square Kilometer
- By Population Density
- Under 750
- 750-1,999
- 2,000-3,999
- 4,000-7,999
- 8,000 & Over

Sprawl Speeds Traffic Up
TRAFFIC SPEEDS IN WORLD URBAN AREAS

- Km/H
- Based on population
- Density

Suburbanization: Shorter Work Trips
INTERNATIONAL EXAMPLES

- Dallas-Fort Worth
- Houston
- Los Angeles
- Atlanta
- Sydney
- Paris
- Tokyo

More Air Pollution at Lower Speeds

- Based Upon
- Lowest Point
- Each Pollutant
- Miles per KM
Urban Villages: Insignificant & Futile

"JOBS-HOUSING BALANCE:" THE RECORD

Average Work Trip Distance
Welwyn Residents

Example:
London Area New Towns

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Exaggerating Suburban Costs
US SUBURBS LESS EXPENSIVE THAN CORES

Core (1939)
Ring 1: 1959
Ring 2: 1979
Ring 3: Later

Density 3.020
Density 1.860
Density 1.060
Density 800

Suburban Cost Research
INSIGNIFICANT COSTS, DISINGENUOUSNESS

- Theoretical, not real data.
- $225 billion US cost claim (to 2025)
  $30 per capita annually

- Anti-Sprawl alternative (2025):
  3.27% urbanization
  Instead of 3.45%

  "... 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 this debate on Australia's cities" - Patrick Troy (The Perils of Urban Consolidation).
ANTI-SUBURBAN MOVEMENT

Has demonstrated no imperative sufficient to justify its regulations

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

Mexican Dream
Guadalajara

Japanese Dream
Tokyo

Public Transport: Hopeless Rhetoric

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

Don Valley Parkway & Commuter Rail

Public Transport Work Trip Share

IMPORTANT TO CBD, A SMALL PART OF THE MARKET

Sydney Area Employment

CBD: Work Trip Share 19%

Public Transport 12%

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Don Valley Parkway & Commuter Rail
Background: Democratising Prosperity

There are Rich Households in all Societies

What Distinguishes Societies is the Extent of Poverty Overwhelming Reality

Affluent Economies Have Achieved a Democratisation of Prosperity

How Urban Residents Used to Live (And Some Still Do)

How Most Urban Residents Live Today
**Threatening the Dream**

*Spanish Dream*

*Barcelona*

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**Common Sense Economics**

*BASIC ECONOMIC PRINCIPLE*

**SCARCITY & RATIONING TEND TO RAISE PRICES**

This means:

Rationing land for housing development tends to raise house prices.

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**Common Sense Economics**

*BASIC ECONOMIC PRINCIPLE*

**HIGHER PRICES TEND TO MEAN FEWER BUYERS**

This means:

Higher housing prices tend to lead to lower rates of home ownership.

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**Smart Growth: Strategies & Housing Impacts**

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**Andre Duhnay**

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).

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**IER**

H Ernest Institute of Economic Research

The Impact of Zoning on Housing Affordability

The 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 costs are driving up land and construction costs as well as preventing 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.”

Review of Housing Supply

Delivering Stability: Securing our Future Housing Needs

Final Report - Recommendations

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT REPORT

"A number of Communities ... have used smart growth metrics to justify restricting growth and limiting developable land supply, which lead to housing cost increases."

LAND USE REGULATION RETARDS ECONOMIC GROWTH

"The urban area 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.”
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

GROWTH CONTROLS LARGEST PRICE ESCALATION

Housing Affordability: US Urban Areas
2000 CENSUS

US House Multiple: 2000
CENSUS DATA: LARGE URBAN AREAS

Land Rationing Raises Land Prices
500 TIMES INCREASE IN S.E. ENGLAND
Conclusions

- Similar interest rates
- Sydney housing affordability much worse
- Atlanta larger
  - Atlanta housing demand greater (faster growth)
- Sydney urban population density much higher
- Both have high auto market shares, but Sydney has larger public transport share.
- Similar daily travel time, though Atlanta is less.
The Democratisation of Prosperity is not Complete

Land Rationing: Toward a Nation of Renters: Restoring Inheritance as the Deciding Factor

STRONG ECONOMIC GROWTH IS NECESSARY

But "Smart Growth:" constitutes an assault on the economy.

THERE IS NO REASON TO STOP DEMOCRATISING PROSPERITY

The Great Australian Dream = The Universal Dream “Living in the Future Tense”

The role of planning:
Not telling people how to live...
Rather, helping people live as they prefer

New House Billboards
Suburban Valencia, Spain

Paris Suburbs

People’s Route → → Planner’s Route → →