Democratising Prosperity:
Global Perspectives on
Housing Affordability

The Great Greek Dream
Athens

The issue is not...
Land use
Cities
The issue is...
Quality of Life
Social Equity
Future of the Nation

Housing Affordability Crisis in Australia
EXAMPLE OF ADELAIDE

Inflation Adjusted
Median House Price

GDP per Capita (AUS)


Housing Affordability in the USA
THE RULE, NOT THE EXCEPTION

The American Dream
St. Louis
23 July 2005

OUTLINE
UNDERSTANDING “URBAN SPRAWL”
PUBLIC TRANSPORT: HOPELESS RHETORIC
BACKGROUND: DEMOCRATISING PROSPERITY
HOME OWNERSHIP AND PROSPERITY
THREATENING THE GREAT AUSTRALIAN DREAM
PRESERVING 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”
-James Howard Kunstler (The Geography of Nowhere)

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

Understanding Urban Sprawl

Sprawling Paris 1954-1999

Paris to Tourists & Urban Planners

Paris: Avenue de l’opéra

Tourist Paris is Not Paris
DIFFERENCE BETWEEN AUSTRALIA & EUROPE: HISTORY

Population
82%
Outside City of Paris

Employment
67%
Outside City of Paris

Paris Missed by Tourists & Planners

The Great French Dream
Paris
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).

History of Urban Growth
Is the History of Sprawl

Australia: No Shortage of Land
AGRICULTURE & FARM LAND: 1981-2002

Reductions
Land Area of
Victoria, Tasmania +
South Island (NZ)

Urban Area Densities
AUSTRALIAN & NEW WORLD SIMILARITIES

The Declining Human Footprint
MIRRORS TREND IN CANADA & UNITED STATES

Surprises
Sydney More Sprawling than Los Angeles
Los Angeles Least Sprawling in New World

Urban Population
Per Square Kilometer

Human → Footprint Reduction 1981-2002

Urbanisation ← 2001 (<0.3%)
Urban Areas: Historical Densities

Universality of Auto-Based Sprawl

Population per Square Kilometer

1800 1850 1900 1950 2000

Pre-Auto Japan W. Europe Australia Canada U.S.

Urban Population Per Square Kilometer

The Great Romanian Nightmare

Ceaucescu: Understood Curbing Sprawl
FATHER OF URBAN CONSOLIDATION

Toronto Area Green Belt Plan
MUCH PAIN, LITTLE GAIN

2000 Land Area

Additional 2031 “Smart Growth”
Additional 2031 “Business as Usual”

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

Share of Motorized Travel Urban Areas Over 1,000,000

Restore Public Transport City?
REJECT AUTO BASED URBAN AREA?

• No 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.
Under 750 750-1,999 2,000-3,999 4,000-7,999 8,000 & Over

Suburbanisation Dilutes Congestion
TRAFFIC INTENSITY IN WORLD URBAN AREAS

Vehicle Hours/
Square Kilometer
By Population
Density

Suburbanisation: Shorter Work Trips
INTERNATIONAL EXAMPLES

Dallas-Fort
Worth Houston Los
Angeles Atlanta Sydney Paris Tokyo

Suburbanisation Speeds Traffic Up
TRAFFIC SPEEDS IN WORLD URBAN AREAS

Under 750 750-1,999 2,000-3,999 4,000-7,999 8,000 & Over

More Air Pollution at Lower Speeds
Based Upon
Index of 1.00 at
Lowest Point for
Each Pollutant
By
Miles per KM

NOx CO NMHC

“Jobs-Housing Balance” Myth
THE RECORD

Hong Kong: Average Work Trip 7.7 KM

Neighborhood 25.9%
Job Location 17.9%
Other Reasons 17.7%
House 20.5%
Other Location 17.9%
Reason for Neighborhood Choice
US Census Survey

Comparison of Growth Areas and Emissions

Energy Enduse
Population
Aggregate Employment
by Principal Industries

Hong Kong: Average Work Trip 7.7 KM

Neighborhood 25.9%
Job Location 17.9%
Other Reasons 17.7%
House 20.5%
Other Location 17.9%
Reason for Neighborhood Choice
US Census Survey

Comparison of Growth Areas and Emissions
Urban Villages: Insignificant & Futile
“JOBS-HOUSING BALANCE” THE RECORD

Example: London Area New Towns

Average Work Trip Distance
Welwyn Residents

Exaggerating Suburban Costs
US SUBURBS LESS EXPENSIVE THAN CORES

$350
$300
$250
$200
$150
$100
$50
$0

Water
Sewer
Density 3.020
Density 1.880
Density 1.090
Density 800

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

>700 USA Municipalities Fees/Capita: 2000

Suburban Cost Research
U.S.A. “CANNOT AFFORD” SUBURBANIZATION?

• How did we manage to afford the last 60 years?
  • Bankrupt suburbs predictions: 1960s
  • Studies: Theoretical, not real data.
  • $225 billion US cost claim (to 2025)
    $30 per capita annually

Suburban Cost Research
“ILL INFORMED & DISINGENIOUS”

“... 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 the debate on Australia’s cities”

- Patrick Troy (The Perils of Urban Consolidation).

NOT SINCE COPERNICUS
... has the conventional wisdom been so wrong.
no imperative has been demonstrated.

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
**“Smart Growth” On the Retreat**
NEWS SLOW TO REACH AUSTRALIA?

- **Portland Urban Growth Boundary: Acres**
  - 1997
  - 2004
  - Trend 2040

- **Other Smart Growth “Climbdowns”**
  - Maryland
  - New Jersey
  - Minneapolis-St. Paul
  - Suburban Washington

**Not All You Hear is True**
LOS ANGELES TRAVEL BEFORE & AFTER RAIL

- **Before Rail: 1989**
- **Latest Data: 2003**

- **1989-2003 OPENED**
  - 1 Metro Line
  - 3 Light Rail lines
  - 6 Suburban Lines
  - 800 KM
  - A$13 Billion

**Public Transport: Hopeless Rhetoric**

- Not enough people going to the same place at the same time

**Public Transport Work Trip Share**
IMPORTANT TO CBD, A SMALL PART OF THE MARKET

- CBD: Work Trip Share
  - Public Transport 70%

- Sydney Area Employment
  - CBD 13%
  - Outside 87%

- Elsewhere: Work Trip Share
  - Public Transport 10%
  - Autos 90%

**Skeletal Auto Competitive Transit**
FOR PORTLAND

- Auto Competitive Public Transport
  - ONLY TO DOWNTOWN
Urban Density & Transit Competitiveness
HIGH INCOME WORLD URBAN AREAS OVER 3,000,000

<table>
<thead>
<tr>
<th>Population/Square KM</th>
<th>Population (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>10,000</td>
</tr>
<tr>
<td>10</td>
<td>20,000</td>
</tr>
<tr>
<td>15</td>
<td>30,000</td>
</tr>
<tr>
<td>20</td>
<td>40,000</td>
</tr>
<tr>
<td>25</td>
<td>50,000</td>
</tr>
<tr>
<td>30</td>
<td>-2%</td>
</tr>
<tr>
<td>35</td>
<td>0%</td>
</tr>
<tr>
<td>40</td>
<td>2%</td>
</tr>
<tr>
<td>45</td>
<td>4%</td>
</tr>
<tr>
<td>50</td>
<td>6%</td>
</tr>
<tr>
<td>55</td>
<td>8%</td>
</tr>
<tr>
<td>60</td>
<td>10%</td>
</tr>
<tr>
<td>65</td>
<td>12%</td>
</tr>
</tbody>
</table>

Urban Density
- Too dense for cars
- Not dense enough for public transport
- Compatible density

Population Growth
- Melbourne: 2020 Goal
- Since 1980

Misleading or “Doubtful” Information
UNREALISTIC EXPECTATIONS FOR PUBLIC TRANSPORT

2020 Goal
- Melbourne
- Boston
- Brussels
- Zurich
- Portland

Background: Democratising Prosperity
The Great Swedish Dream
Stockholm

Anti-Sprawl Policies: Prospects
- More intense traffic congestion
- More intense air pollution
- But worse: Lower home ownership, leading to a lower standard of living

There are Rich Households in all Societies

What Distinguishes Societies is the Extent of Poverty
Overwhelming Reality

Luxury Condos Near Rocinda Favela
Rio de Janeiro

Rocinda Favela
Rio de Janeiro
Affluent Economies Have Achieved a Democratisation of Prosperity

History of the World is the History of Poverty

Economic Progress is Not Automatic
The Case of Argentina

Home Ownership and Prosperity

GDP/Capita: 1990

GDP/Capita: 2003
STRENGTH OF THE LIBERAL ECONOMIES

“Competitive intensity”

Examples:
Less restrictive land regulation
Retailing

Competitive Intensity
ECONOMIC FREEDOM AND AFFLUENCE

Competitive Intensity
HOME BUILDING: AUSTRALIA & EUROPE (1990s)

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

Central Athens, 2005

How Most Urban Residents Live Today

Lisbon, Portugal
Copenhagen, Denmark
Stockholm, Sweden
Antwerp, Belgium

Houses: A Principal Share of Wealth
ABS: 1996

Home 43%
Household 17%
Savings 12%
Securities 8%
Other 21%
Democratisation of Prosperity: Associated with Personal Mobility

Democratisation of Prosperity is Associated with Urban Growth

Democratization of Prosperity is Associated with Suburbanization

Democratisation of Prosperity: Associated with Rising Home Ownership

Threatening the Dream

Spanish Dream - Barcelona

Common Sense Economics

Basic Economic Principle

Scarcity & Rationing tend to raise prices

This means:

Rationing land for housing development tends to raise house prices.
BASIC ECONOMIC PRINCIPLE

HIGHER PRICES TEND TO MEAN FEWER BUYERS

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

ANDRES DUANY

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).

HARVARD STATE OF THE NATION’S HOUSING 2005

“Development constraints drive up land and construction costs as well as prevent new housing from keeping pace with rising demand.”

WACHOVIA BANK

“We have identified three major factors which have worked to restrain supply over the last 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.”

Smart Growth: Strategies & Housing Impacts

<table>
<thead>
<tr>
<th>STRATEGIES</th>
<th>EXAMPLES</th>
<th>IMPACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Growth Boundaries &amp; Green Belts</td>
<td>Australia, Portland, Denver, London, Toronto</td>
<td>Raises housing prices</td>
</tr>
<tr>
<td>Down-zoning</td>
<td>Northern Virginia, Boston</td>
<td>Raises housing prices</td>
</tr>
<tr>
<td>Excessive Development Impact Fees</td>
<td>Australia, California</td>
<td>Raises housing prices</td>
</tr>
</tbody>
</table>
A number of Communities … have used smart growth rhetoric to justify restricting growth and limiting developable land supply, which lead to housing cost increases.

LAND USE REGULATION RETARDS ECONOMIC GROWTH
“metropolitan areas 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

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
Adelaide’s Deteriorating Affordability
HOUSING MULTIPLE: RECENT ESCALATION

<table>
<thead>
<tr>
<th>Historic Multiple</th>
<th>Adelaide 2000</th>
<th>Adelaide 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median House Price/Median Household Income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Housing Cost Multiple
AUSTRALIA & NORTH AMERICA EXAMPLES

<table>
<thead>
<tr>
<th>IPS</th>
<th>DAL</th>
<th>ATL</th>
<th>HOU</th>
<th>OTT</th>
<th>PHX</th>
<th>PER</th>
<th>BRS</th>
<th>MEL</th>
<th>SYD</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>2.0</td>
<td>4.0</td>
<td>6.0</td>
<td>8.0</td>
<td>10.0</td>
<td>12.0</td>
<td>14.0</td>
<td>16.0</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Elements of Housing Price Multiple
CONCEPTUAL MODEL

Example Using House US Price to Household Income Multiple: 2004

Land Scarcity Premium
Speculation
Underlying Housing Cost to Income Multiple

Metropolitan Area Population: 2003
TALE OF TWO CITIES: ADELAIDE & KANSAS CITY

<table>
<thead>
<tr>
<th>Kansas City</th>
<th>Adelaide</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Metropolitan Area Growth: 2000-2003
TALE OF TWO CITIES: ADELAIDE & KANSAS CITY

<table>
<thead>
<tr>
<th>Kansas City</th>
<th>Adelaide</th>
</tr>
</thead>
<tbody>
<tr>
<td>65,000</td>
<td>17,000</td>
</tr>
</tbody>
</table>

Urban Population Density
TALE OF TWO CITIES: ADELAIDE & KANSAS CITY

<table>
<thead>
<tr>
<th>Population per Square Kilometer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kansas City</td>
</tr>
<tr>
<td>Adelaide</td>
</tr>
<tr>
<td>900</td>
</tr>
<tr>
<td>1,100</td>
</tr>
</tbody>
</table>
### Auto & Public Transport Share

**TALE OF TWO CITIES: ADELAIDE & KANSAS CITY**

<table>
<thead>
<tr>
<th></th>
<th>Kansas City</th>
<th>Adelaide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>Public</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Traffic Intensity: 1990

**TALE OF TWO CITIES: ADELAIDE & KANSAS CITY**

**Daily Vehicle Kilometers per Urban Square Kilometer**

<table>
<thead>
<tr>
<th></th>
<th>Kansas City</th>
<th>Adelaide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### House Price Multiple: 2004

**TALE OF TWO CITIES: ADELAIDE & KANSAS CITY**

**Low Interest Rates**
- Both Urban Areas

<table>
<thead>
<tr>
<th></th>
<th>Kansas City</th>
<th>Adelaide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple</td>
<td>2.6</td>
<td>6.2</td>
</tr>
</tbody>
</table>

**Similar Results for**
- Dallas-Fort Worth, Houston
- Comparisons with Sydney

### Conclusions

**TALE OF TWO CITIES: ADELAIDE & KANSAS CITY**

- Similar interest rates
- Adelaide housing affordability much worse
- Kansas City larger
- Kansas City housing demand greater (faster growth)
- Adelaide urban population density higher
- Both have high auto market shares, but Adelaide has larger public transport share.
- Similar traffic intensity, though Kansas City is less.

### Preserving the Dream

**The Great Portuguese Dream**
- Porto

### The Democratisation of Prosperity

**is not Complete**

- Home Owners
  - 100%
- Renters
  - 0%
Land Rationing: Toward a Nation of Renters: Restoring Inheritance as the Deciding Factor

Eventual Rates Based Upon Housing Price Multiples

Home Owners

Renters

Australia Now 100%
Perth Rate 90%
Sydney Rate 80%

70% 40% 15%

Strong Economic Growth: Is Necessary

But “Smart Growth:” constitutes an assault on the economy.

The Great Canadian Dream
Toronto

There is No Reason to Stop Democratising Prosperity

The Great Spanish Dream
Valencia

The Great Australian Dream
Living in the ‘Future Tense’

The Great Mexican Dream
Guadalajara

The Great Japanese Dream
Tokyo

The Great Australian Dream
Has Become the Great Universal Dream
The Great Australian Dream
HAS BECOME THE GREAT UNIVERSAL DREAM.

The Great Chinese Dream
Hong Kong (Fairview Park)

BACK TO BASICS
THE ROLE OF PLANNING:

Not telling people how to live…
Rather, helping people live as they prefer.