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MEDIA RELEASE

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2007 3rd ANNUAL EDITION

**DEMOGRAPHIA INTERNATIONAL
HOUSING AFFORDABILITY SURVEY**
<http://www.demographia.com/dhi-ix2005q3.pdf>

United Kingdom Republic of Ireland
United States Canada
Australia New Zealand

HOW DOES YOUR URBAN MARKET RATE?

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**“UNAFFORDABLE HOUSING AN UNNECESSARY
GOVERNMENT FAILURE” DEMOGRAPHIA SURVEY**

An International survey on housing affordability has found that of the six countries surveyed all markets that are rated affordable are found to be within the United States and Canada.

This years Demographia International Survey on housing affordability, across 159 major urban markets in six countries, found that 42 are affordable; 36 moderately unaffordable; 22 seriously unaffordable and 59 severely unaffordable.

None of the surveyed urban markets of Australia, Ireland, the United Kingdom and New Zealand achieve affordability. To achieve the internationally accepted standard of housing affordability, house prices should not exceed three times annual household income.

All the affordable markets are in North America, with 35 in the United States and 7 in Canada. There are 28 moderately unaffordable markets in the United States, 6 in Canada and 2 in the United Kingdom. Of the 22 seriously unaffordable markets, 17 are in the United States, 2 each in Canada and the United Kingdom, with one in Australia.

There are 59 severely unaffordable markets, where the house prices exceed five times annual median household earnings; 27 of these are in the United States, 19 in the United Kingdom, 7 in Australia and 2 in Canada. All 3 major urban markets in New Zealand are rated severely unaffordable.

Overall Canada achieves the best performance, where its citizens only require 3.2 years of annual income to purchase a home. In the United States it takes 3.7 years; Britain 5.5 years; Ireland 5.7 years; and New Zealand 6 years. Australians fear the worst, crippled with the burden of 6.6 years of income on average to house themselves.

These “years of income” required to purchase a house within individual markets is understated, because the majority of house purchasers require mortgages and interest charges tend to more than double the full cost of a house. This years Demographia Survey sets out the comprehensive (purchase cost and interest charges) costs within each country, new home purchasers face today, in comparison with their counterparts ten years ago.

This is the 3rd edition of the Annual Demographia International Housing Affordability Survey. The survey was expanded to 159 major urban markets from 100 markets last year and includes; The United Kingdom, Ireland, Canada, the United States, Australia and New Zealand.

The Survey authors are Mr Wendell Cox of the Wendell Cox Consultancy (Demographia) of metropolitan St Louis, USA and Mr Hugh Pavletich, Pavletich Properties Ltd, Christchurch, New Zealand.

Demographia uses the internationally recognised standard of the Median Multiple to rate housing affordability. In this method the median house prices of each individual market are divided by the median annual gross household income of that particular market. This method of assessing housing affordability is recommended by the United Nations and World Bank.

Demographia has four categories of housing affordability. Those that require three (3.0) years or less annual median household income are rated “affordable”; four (4.0) and below “moderately unaffordable”; five (5) and below “seriously unaffordable” and above five years (5) annual income “severely unaffordable”.

To better illustrate the burden faced by new home owners, this years Survey also incorporates a Case Study of Austin, the capital of Texas and the slower growing City of Perth Western Australia. In the past 12 months alone, Perth housing inflation has been 42%. Austin’s Median Multiple has improved slightly over the past 10 years, so that

citizens do not have to pay any more than 3.1 years gross income to house themselves. New purchasers in Perth now require 8.0 years gross annual household income.

“When household debt is factored in, Perth new home buyers are at a massive disadvantage.” said Wendell Cox, co author of the Survey. “Perth prices have risen so much that a household purchasing the median priced house will pay 11 years more in income, including interest, than if the Median Multiple had remained unchanged over the past 10 years. In Austin, the Median Multiple has decreased slightly over the past 10 years, meaning that Austin house buyers now have an 11 year advantage over their counterparts in Perth.”

Hugh Pavletich, a New Zealander and co-author of the survey said that the people of the North American urban markets achieving affordability should take great pride in this.

“Increasingly, these urban markets are attracting greater interest from around the world” he said.

This years Demographia Survey outlines the international research, political concern and growing consensus evolving during 2006, in recognizing the seriousness of this issue and the need to find solutions as soon as possible.

The Survey authors are of the view that these problems are not complex, so there is no need for complex solutions. The Survey suggests 7 key areas that need to be focused on so that housing affordability is restored within the markets currently experiencing housing stress. They are –

- Housing Affordability Targets.
- Liberalizing Land Use Processes.
- Minimizing Peripheral Land Price Distortions.
- Equitable Infrastructure Finance.
- Economic Impact Analyses.
- Professional Education.
- Research.

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MEDIA NOTES –

(1) Permission is granted to quote from the Survey with attribution.

(2) It is suggested that the statistical information regarding urban markets of particular interest be extracted from the Survey and presented within an accompanying table.

FOR FURTHER INFORMATION –

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