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2017

13th ANNUAL DEMOGRAPHIA INTERNATIONAL HOUSING
AFFORDABILITY SURVEY

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HOW DOES YOUR CITY RATE ?

406 URBAN MARKETS
OF
AUSTRALIA * CANADA
HONG KONG-CHINA * IRELAND
JAPAN * NEW ZEALAND
SINGAPORE * UNITED KINGDOM
UNITED STATES
The 2017 13th Annual Edition ...

The *13th Annual Demographia International Housing Affordability Survey* covers 406 metropolitan housing markets (metropolitan areas) in nine countries (Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States). A total of 92 major metropolitan markets (housing markets) --- with more than 1,000,000 population --- are included, including five megacities (Tokyo-Yokohama, New York, Osaka-Kobe-Kyoto, Los Angeles, and London).

Rating Middle-Income Housing Affordability

The *Demographia International Housing Affordability Survey* rates middle-income housing affordability using the "Median Multiple," which is the median house price divided by the median household income. The Median

Multiple is widely used for evaluating urban markets, and has been recommended by the World Bank and the United Nations and is used by the Joint Center for Housing Studies, Harvard University. The Median Multiple and other price-to-income multiples (housing affordability multiples) are used to compare housing affordability between markets by the Organization for Economic Cooperation and Development, the International Monetary Fund, *The Economist*, and other organizations.

Historically, liberally regulated markets have exhibited median house prices that are three times or less that of median household incomes, for a Median Multiple of 3.0 or less.

Demographia uses the following housing affordability ratings (Table ES-1).

Table ES-1 <i>Demographia International Housing Affordability Survey</i> Housing Affordability Ratings	
Housing Affordability Rating	Median Multiple
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over
Median multiple: Median house price divided by median household income	

Housing Affordability in 2016

There are 11 affordable major housing markets, all in the United States. There are 29 severely unaffordable major housing markets, including all in Australia (5), New Zealand (1) and China (1). There are 13 severely unaffordable major markets in the United States, out of 54. Seven of the United Kingdom's 21 major markets are severely unaffordable and two of Canada's six.

The most affordable major housing markets in 2015 are in the United States, with a moderately unaffordable Median Multiple of 3.9, followed by Japan (4.1), the United Kingdom (4.5), Canada (4.7), Ireland (4.7) and Singapore (4.8). Overall, the major housing markets of Australia (6.6), New Zealand (10.0) and China (18.1) are severely unaffordable.(Table ES-2).

There are 11 affordable major housing markets in 2016, all in the United States. Rochester is the most affordable, with a Median Multiple of 2.5, followed by Buffalo (2.6), Cincinnati (2.7), Cleveland (2.7), Pittsburgh (2.7), Oklahoma City (2.9), St. Louis (2.9) and four at 3.0, Detroit, Grand Rapids, Indianapolis and Kansas City.

There are 26 severely unaffordable major housing markets in 2016. Again, Hong Kong is the least affordable, with a Median Multiple of 18.1, down from 19.0 last year. Sydney is again second, at 12.2 (the same Median Multiple as last year). Vancouver is third least affordable, at 11.8, where house prices rose the equivalent of a full year's household income in only a year. Auckland is fourth least affordable, at 10.0 and San Jose has a Median Multiple of 9.6.

The least affordable 10 also includes Melbourne (9.5), Honolulu (9.4), Los Angeles (9.3), where house prices rose the equivalent of 14 months in household income in only 12 months. San Francisco has a Median Multiple of 9.2 and Bournemouth & Dorsett is 8.9.

San Diego has a Median Multiple of 8.6 and London 8.5, the same as last year. Toronto has a Median Multiple of 7.7, like Vancouver, showing a year-on-year house price increase equal to a year of household income.

There are 99 affordable housing markets of all sizes including 82 in the United States, 10 in Canada, 4 in Australia and 3 in Ireland (Table ES-3). The most affordable market is Racine (WI) in the United States, with a Median Multiple of 1.8.

There are 94 severely unaffordable markets, with 36 (of 262) in the United States, 33 (of 54) in Australia, 11 (of 33) in the United Kingdom, 7 (of 40) in Canada, 6 (of 8) in New Zealand and the one market in China. Singapore, Japan and Ireland have no severely unaffordable housing markets.

The least affordable among the smaller markets is Santa Cruz (CA) in the United States, with a Median Multiple of 11.6.

Table ES-2 Housing Affordability Ratings by Nation: Major Housing Markets (Over 1,000,000 Population)						
Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	0	0	0	5	5	6.6
Canada	0	1	3	2	6	4.7
China: Hong Kong	0	0	0	1	1	18.1
Ireland	0	0	1	0	1	4.7
Japan	0	1	1	0	2	4.1
New Zealand	0	0	0	1	1	10.0
Singapore	0	0	1	0	1	4.8
United Kingdom	0	2	12	7	21	4.5
United States	11	22	8	13	54	3.9
TOTAL	11	26	26	29	92	4.2

Table ES-3 Housing Affordability Ratings by Nation: All Housing Markets						
Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	4	3	14	33	54	5.5
Canada	10	13	10	7	40	3.9
China (Hong Kong)	0	0	0	1	1	18.1
Ireland	3	1	1	0	5	3.4
Japan	0	1	1	0	2	4.1
New Zealand	0	0	2	6	8	5.9
Singapore	0	0	1	0	1	4.8
United Kingdom	0	4	18	11	33	4.6
United States	82	94	50	36	262	3.6
TOTAL	99	116	97	94	406	4.0

“Best Cities” for Middle-Income Households

Every year, “best cities” and “most livable cities” lists are produced by various organizations. Aimed at the high end of the housing market, these surveys virtually never evaluate housing affordability. Yet, the media often mischaracterizes the findings as relevant to the majority of households.

In fact, a city cannot be livable, nor can it be a best city to middle-income households that cannot afford to live there. Households need adequate housing.

The “best cities” for housing affordability are often better on middle-income outcomes than the high-end best cities that attract media attention. This is illustrated by a comparison between Dallas-Fort Worth, where housing affordability is far better than in Toronto, which was rated as the “best city” by *The Economist*. In addition to better housing affordability, traffic congestion is better. This is despite the fact that Toronto employs the most favored urban strategies, which Dallas-Fort Worth does not.

Another comparison shows that Kansas City has substantially better housing affordability than all of *The Economist's* top 10 cities. Kansas City also is rated as having the best traffic conditions of any metropolitan area with more than 1,000,000 population in the world.

Excessive housing regulation has been identified as having significantly reduced economic growth in the United States and inequality internationally. It has made the job of central reserve banks more difficult by fueling inflation.

Economic uncertainty is a substantial concern for households. It is important to keep housing affordable, so that households can have a better standard of living and poverty rates can be lower. This requires avoiding urban planning policies associated with artificially raising house prices, specifically urban containment. Failing that, housing affordability is likely to worsen further.

Paul Cheshire, Max Nathan and Henry Overman of the London School of Economics recently suggested that “... that the ultimate objective of urban policy is to improve outcomes for people rather than places” and that “... improving places is a means to an end, rather than an end in itself.”

Following that policy prescription, a number of cities (such as Dallas-Fort Worth, Kansas City) have achieved the objective of putting *people over place*. For most of society, middle-income households as well as lower income households, the best cities are where governments have overseen local housing markets competently, evidenced by housing that is affordable, all else equal. In such cities, the cost of living tends to be lower, as households are able to afford a more affluent life.

Survey Introduction

The Introduction to this year’s *Survey* is by Dr Oliver Hartwich, Executive Director of The New Zealand Initiative, a public policy research organization based in Wellington. Dr Hartwich has had a long association with the co-authors of this *Survey*, since his time with Policy Exchange in the United Kingdom

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Attached .. Available on internet at end of embargo.

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