

CANADIAN CITIES LEAD WORLD HOUSING AFFORDABILITY
A great deal despite stark differences and negative trends

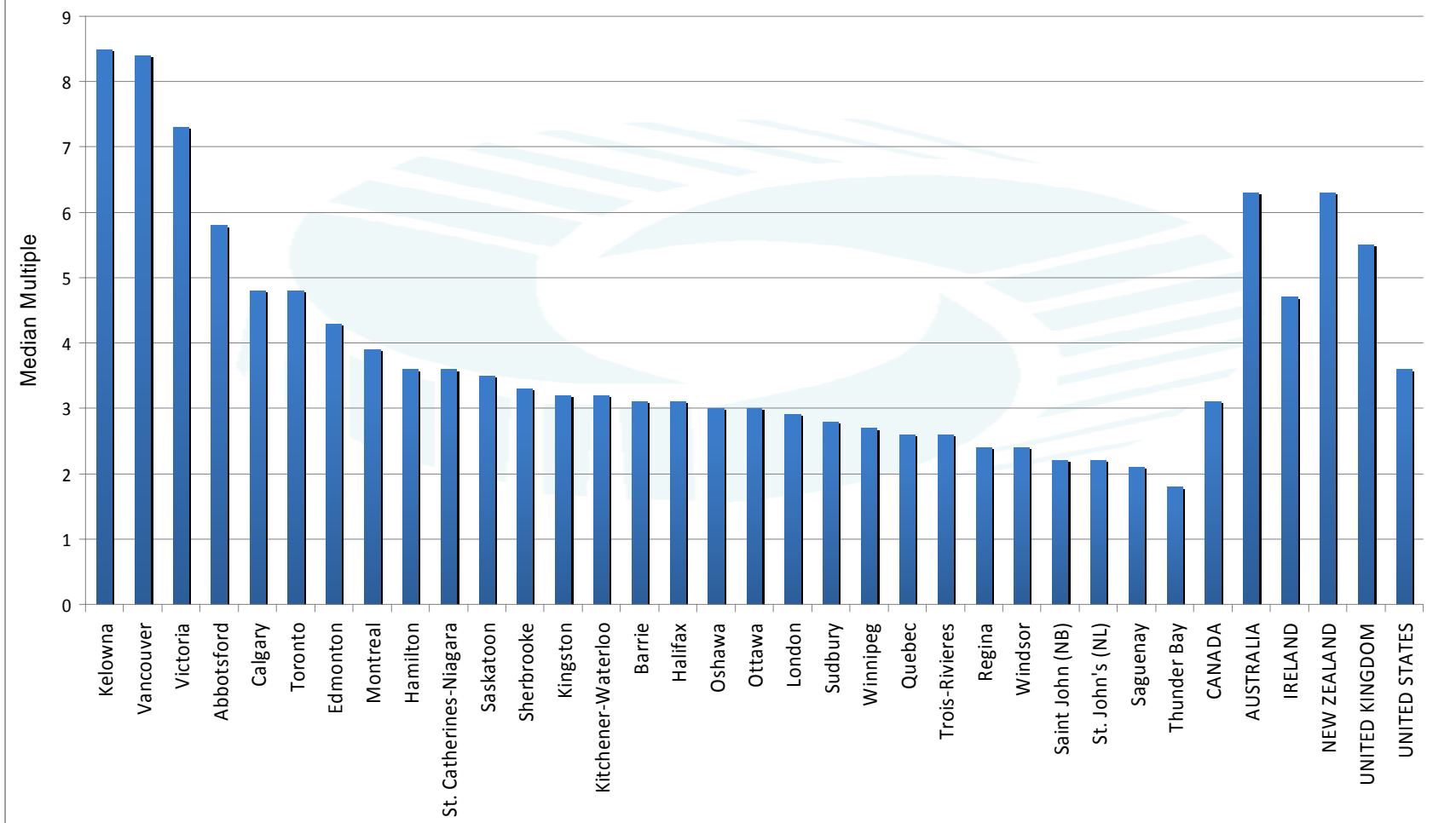
Each year the Demographia International Housing Affordability Survey compares housing affordability in the larger cities of Australia, Canada, Ireland, New Zealand, The United Kingdom, and The United States. Affordability is measured by the median multiple technique, which expresses the median house price as a multiple of the median household income. For example, in Regina the median household income is \$63,200 while the median house price is \$154,300, giving a median multiple of 2.6.

Of course this does not mean any household can pay for a house in 2.6 years, unless they were able to devote 100% of their income to repayments and avoid the additional cost of interest. Nevertheless the median multiple technique is a very concise and internationally comparable measure of housing affordability.

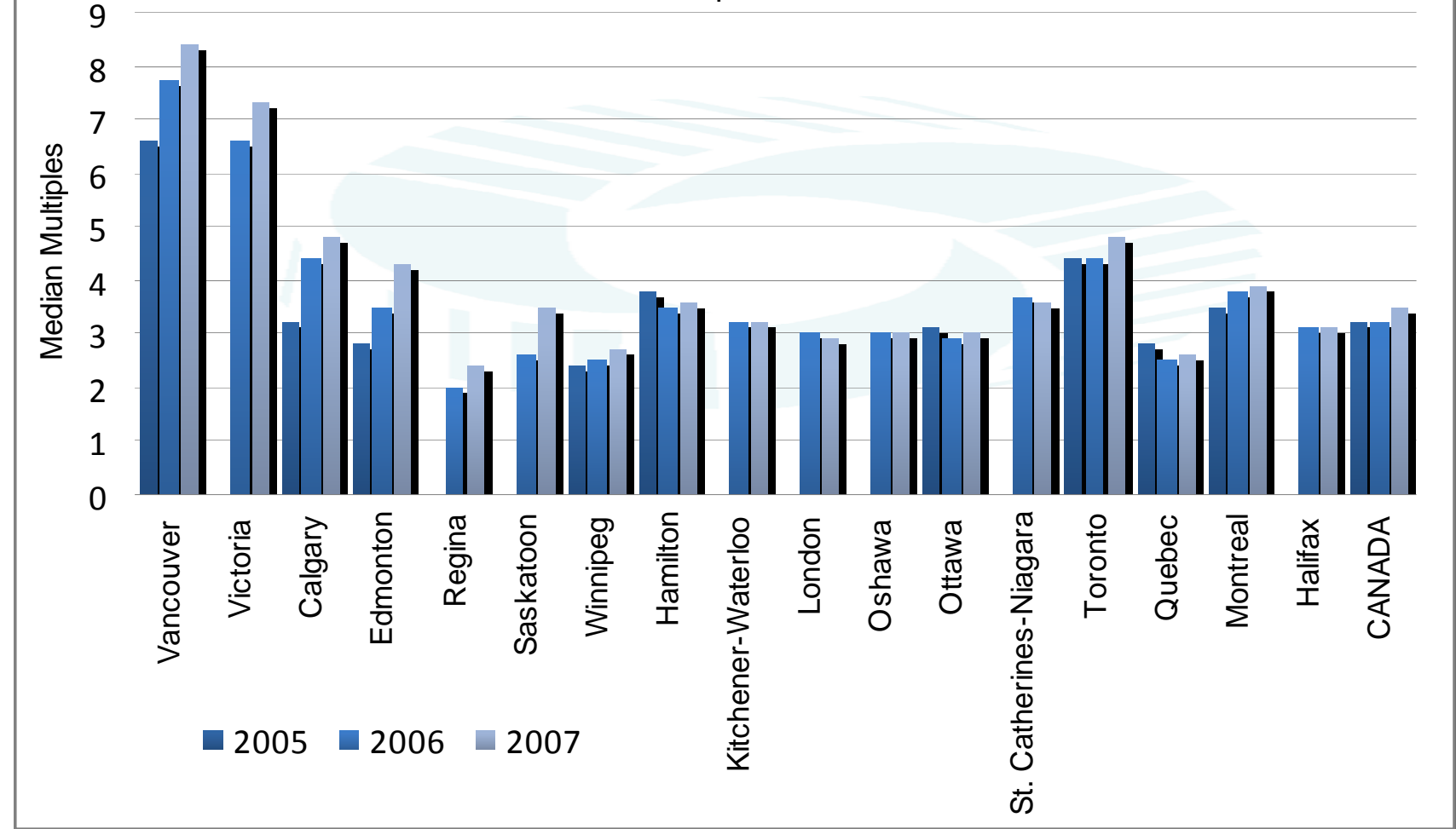
Several trends emerge from the two charts:

- Dramatic differences exist amongst affordability levels in Canadian cities. The median house in Thunder Bay costs 1.8 years' income, whereas residents of Kelowna require 8.5 years' income. (It is also worth noting that the differences between median multiples understate the true cost differences because the compound nature of mortgage interest means that more expensive houses attract much higher interest costs over longer repayment times).
- There are two notable effects, a British Columbia effect and a large city effect. Cities with these characteristics are generally but not invariably less affordable.
- Overall, Canadian houses are the cheapest amongst the six countries monitored.
- While these charts do not show a long time series, the large differences that are shown have emerged in the past two decades, and are unprecedented. From the post-war boom until the 1980's, median multiples between 2 - 4 were the norm.

Housing Affordability in Canadian Markets by Median Multiple



Median Multiples Over Time



or difficult members of different city communities find it to afford a house, based on their income. After a comprehensive evaluation of possible explanations, the Demographia authors conclude that restrictions on land use through prescriptive town planning strategies are the only plausible explanation for the considerable differences in housing affordability that have arisen in the past several decades. The message for Canada is clear, our houses are the most affordable in the world, but there are dire consequences for jurisdictions that take affordability for granted.

Data Source: Cox W and Paveltich H Demographia International Housing Affordability Survey Available www.demographia.com