

# Australian “Rental Affordability” report highlights housing crisis

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Anglicare Australia’s “2015 Rental Affordability Snapshot,” released late last month, provided a glimpse of a mounting housing disaster confronting millions of workers, young people and pensioners, along with those forced to subsist on poverty-level government welfare and other benefits.

Based on a survey of over 65,000 properties listed on the private rental market over one weekend in April, the report highlighted the devastating impact of worsening unemployment and an unprecedented housing bubble that has pushed prices and rents to record levels. According to the charity organisation, some 1.6 million people across the country struggled to pay their rent in 2014.

The report noted that for a household with two parents and two children living on the government’s Newstart unemployment benefits, just 0.9 percent of listed homes would be “affordable” and “appropriate.” A dwelling was deemed unaffordable if it would cost more than 30 percent of an income for those in the bottom 40 percent of the national income distribution.

Official statistics, which grossly understate unemployment, show the highest levels of joblessness in 12 years, with about 800,000 people looking for work in January. During last year, more than 520,000 people had received Newstart payments for 12 months or more. The maximum payment for a couple without dependents is just over \$900 per fortnight.

For single adults on Newstart benefits, or the even lower Youth Allowance, less than 0.1 percent of homes were affordable. Just 8 properties out of the more than 65,000 listed were suitable for a young person on Youth Allowance seeking to share with others.

For a single parent living on welfare payments with two children, only 0.3 percent of homes were affordable, and only 3.4 percent of homes surveyed

were affordable for a couple without dependents living on the marginally higher aged pension.

The inadequacy of social security payments compared to rents was underscored by the comments of Chad Porter, a 52-year-old single parent who lost his job as a machine operator after an injury. He told the *Sydney Morning Herald* he spent some \$590 of his \$1,034 fortnightly Newstart payment on rent for a house near Mount Druitt in Sydney’s far western suburbs. “After I pay my rent I have hardly any money left, even for food,” he said. “I have to buy my daughter medicine, the things she needs for school. It’s very rare that I buy meat and usually it might be sausages or maybe a bit of ham. I get food vouchers just so we can eat.”

For workers on low wages, the situation was also acute. For a single parent on the minimum wage with two children, just 3.3 percent of homes were affordable. Only 2.3 percent of homes were appropriate and affordable for a single adult on the minimum wage. A couple living on the minimum wage with two children and receiving family tax benefits had access to 23.8 percent of listed properties.

The crisis is worst in the major urban centres. Of the 14,036 properties listed in Sydney, only 58 were affordable and appropriate for those on government benefits. None of the properties were accessible to single people on the youth allowance, the disability pension or Newstart, and just over 2,200 properties were within the range of a family with both parents on the minimum wage.

The report documented the case of Monica, a 55-year-old university graduate forced out of the small dwelling she shared with a housemate, after a \$60 rental increase. Facing deepening health problems, she was unable to work, subsisting on Newstart, while her

housemate was on insecure, contract work.

The report also revealed serious rental affordability in regional and rural areas. Of the over 1,200 properties surveyed in Gladstone, Rockhampton and Emerald in central Queensland, none were suitable for a single person living on Newstart or Youth Allowance, while just eight were suitable for those on the aged pension.

In another case study, a 64-year-old woman living on a widow's pension in Western Australia was forced out of her home by a rent increase. She moved into her elderly mother's garage, and placed her belongings in costly storage. She was told that the waiting period for public housing was over five years. A small rural cottage that she applied to rent would have cost \$200 a week, some 75 percent of her pension, and came with the proviso of performing menial farm labour.

Homelessness is rising. The report noted figures from 2013-14 indicating that 254,000 people attempted to access homelessness services in that year. Over 44,000 of them were young.

Underlying the affordability crisis is a decades-long assault on affordable public housing by successive Labor and Liberal governments, and the promotion of a speculative property boom that has seen median home prices in Sydney approach \$1 million. In the major cities, public housing waiting lists often extend over ten years, with properties continuing to be sold off to real estate developers.

In Sydney, house prices grew by 57 percent between January 2009 and January 2015, while Melbourne witnessed a 50 percent growth over the same period. According to Moody's rating agency, the nationwide average for mortgage repayments is around 27 percent of income. In Sydney, it is over 35 percent of income. With house prices growing five times faster than stagnating wages, mortgages are beyond the reach of broad sections of the working class.

The staggering growth in home prices has been driven by a massive expansion of debt, encouraged by record low interest rates. Australian private sector debt reached over 200 percent of gross domestic product (GDP) this year, while household debt stood at around 130 percent of GDP. According to figures published last year, while banks were making multi-billion dollar profits, some 95 percent of their lending was channeled into property, the bulk of it residential (see: "Australia's housing bubble fuels a social disaster").

The flood of hot money into the housing sector, which is part of a global phenomenon, has been promoted by government policies, including "negative gearing" that allows investors to claim rental property costs as tax deductions. The policy, reintroduced under the Hawke Labor government, was complemented by a capital gains tax discount by the Howard Liberal-National government, aimed at promoting speculative investment in housing. According to the Australia Institute think tank, 55 percent of the benefits of negative gearing and the capital gains tax discount is reaped by households in the top 10 percent of income distribution.

The housing disaster confronting masses of people is an indictment of capitalism. Amid an orgy of financial speculation centring on the housing market, the profit system is unable and unwilling to provide the fundamental social right of decent, affordable housing.



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