Australian treasurer denies housing affordability crisis

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Federal Treasurer Joe Hockey declared on June 9: "If housing were unaffordable in Sydney, no one would be buying it." He advised those hoping to buy a home "to get a good job that pays good money," adding "then you can go to the bank and you can borrow money and that's readily affordable."

Hockey's contemptuous comments caused widespread popular outrage and a flood of condemnation on social media. They resembled the "let them eat cake" remarks attributed to Queen Marie Antoinette in the lead-up to the French Revolution of 1789, when peasants could not afford bread.

It was a ham-fisted attempt by the treasurer to play down the fact that rampant speculation by banks and property developers, encouraged by government policies delivering tax breaks that go mainly to large investors, has produced an astronomical increase in housing prices.

The purchase of even a modest home is now outside the reach of many thousands of ordinary working people, particularly in Australia's two largest metropolises, Sydney and Melbourne. Only the wealthiest layers of society, or those prepared to take on increasingly unsustainable levels of debt, can afford to enter the market.

Over the past two years, Sydney house prices have shot up at rates five times those of wages growth, and rents have also soared. A Fairfax Media analysis concluded that people working full-time on the minimum wage are priced out of the rental market in 99.9 percent of Sydney suburbs.

Just after Hockey spoke, Reserve Bank of Australia (RBA) governor Glenn Stevens expressed concern about Sydney housing prices, labelling them "crazy." Although the prices have sky-rocketed for several years, producing warnings of a "property bubble" that is liable to burst, the housing affordability crisis has deepened over the past three decades.

Since 1985, the median Sydney house price has increased from $73,000 to over $914,000 in 2015. The ratio of median housing prices to the annual income in Sydney increased from 3.4 to 11.4, during the same period.

This is only the sharpest expression of the situation nationally. In Melbourne, the median cost of a home is now $672,500. According to the CoreLogic RP Data Hedonic Home Value Index, Australian capital city house prices rose almost 8 percent last year.

Last week, RBA assistant governor Christopher Kent predicted that housing prices would rise further as record low interest rates provided a flood of cheap money, especially to investors and developers. Currently 41 percent of all housing finance is for the purposes of investment, compared to 16 percent in 1992, increasingly squeezing out first-home buyers.

Far from housing loans being "readily affordable," as Hockey claimed, lower income earners who take on substantial borrowings face rising levels of hardship and mortgage stress. There is growing evidence that people are going without basic necessities just to meet mortgage repayments.

Statistics by Onthehouse.com for April this year revealed that Sydney mortgagees with net weekly earnings of $1,123 are left with an average of just $103 of disposable income after making mortgage repayments. Melbourne house owners on $1,009 net weekly income were left with $294.

This week, a Bankwest Curtin Economics Centre study showed that average household debt has tripled over the past 25 years, rising from less than six months of annual income in 1990 to 18 months of income.

Official figures indicate that total household debt has risen to about $1.9 trillion (or more than Australia's entire gross domestic product), of which about $1.4 trillion is mortgage debt. On average, the household debt-to-income ratio is 150 percent, about double the level of 20 years ago.

Those unable to keep up mortgage repayments face having their homes repossessed. According to the Council of Mortgage Lenders, there were 21,000 repossessions last year and 16,800 households were in arrears of 2.5 percent or more of the mortgage balance. This was despite the RBA lowering official interest rates over the past two years to the "emergency" low of 2 percent.

Repossessions could escalate sharply with any rise in interest rates. Jonathan Harris, the director of mortgage broker Anderson Harris, warned earlier this year: "We suspect that when it comes to their finances there are many people teetering on a knife edge and rate rises could easily push them over."

Thousands of workers also face being pushed over the edge by becoming unemployed or being pushed into lower-paid work. Hockey's arrogant advice—"get a good job that pays good money"—came as even understated official figures showed that more than 800,000 workers were unemployed.

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Tens of thousands of jobs are being destroyed across every sector as major companies, with the backing of both Liberal-National and Labor governments at federal and state levels, continue to restructure their operations to bolster profits.

In the banking sector itself, where record profits are being made, an estimated 10,000 jobs have been shed over the past two years. Governments are also eliminating thousands of federal and state public service jobs. Last year's federal budget, drawn up by Hockey, projected 16,500 public sector job cuts over three years, on top of the more than 5,000 slashed under the previous Labor government.

Far from rising, wages are being driven down. A National Australia Bank business survey last November showed labour costs rising at an annual average of just 1.5 percent since 2012. This was well below the inflation rate, which climbed from 2 percent in 2012 to reach 3 percent in the June 2014 quarter.

According to Seek's Annual Salary Review, the average salary in Australia in the 12 months to June 2014 was just $79,767, down 3.2 percent from the previous year. Yet, comparison site Finder.com.au estimated that a family purchasing a house for $745,000 would need to earn $155,499 a year to obtain a housing bank loan.

Successive governments have also decimated public housing, forcing many thousands of working people into the private rental market. Sydney median asking rents are Australia's highest, averaging around $2,100 a month for houses and $2,000 for units, or around a quarter of average earnings.

Rental arrears tracking by Your Move and Reeds Rains indicate that 70,900 private tenants were two months or more behind on their rent during the first quarter of 2015, up 2.2 percent from the previous quarter. A National Housing Federation spokesperson told the media last month: "People are up against the rising cost of rents and stagnating wages as they struggle month to month to keep a roof over their heads."

This housing crisis did not fall from the sky. It is the direct product of the capitalist profit system, served by the entire political establishment, whose operations now deprive millions of the fundamental social right to decent affordable housing.