Australian housing among the world's most unaffordable

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A report last month by Demographia showed that Australian housing remains among the most unaffordable in the world, with millions of workers and young people priced out by soaring housing costs. Of the 51 Australian housing markets assessed in the international survey, 33 were deemed severely unaffordable.

The report examined some 400 housing markets across nine countries, using the Median Multiple (MM) formula, obtained by dividing the median house price by the median annual household income. The MM system classifies housing markets as affordable if they score under 3.0. Results of 3.1 to 4.0 are deemed unaffordable, 4.1 to 5.0 seriously unaffordable and over 5.0 severely unaffordable.

Nationally, the Australian housing market scored 5.5. Sydney, the country's largest population centre, is the second most unaffordable major city in the world, with a MM of 12.2, the same result as 2016 and up from 9.8 in 2015. That means it would take 12.2 years, on a median income, to earn the money to buy a median-priced house.

Sydney placed behind Hong Kong (18.1) and ahead of Vancouver (11.8) and Auckland (10.0). Sydney house prices are far less affordable than global cities such as London, with an MM of 8.5, and New York, which scored 5.7.

The current median house price in Sydney is $1,077,000, compared with $1,032,000 in 2016 and just over half a million dollars a decade ago.

The figure for Melbourne, Australia's second largest city, was 9.5, down slightly from last year, but up from 8.7 in 2015. Like Sydney, it was more unaffordable than Los Angeles, Honolulu and San Francisco. The median house price for Melbourne currently stands at $740,000.

The housing affordability crisis is not limited to Australia's major cities. Wingecarribee, a predominantly affluent district about 110 kilometres southwest of Sydney, which contains popular small towns such as Bowral, Mittagong and Moss Vale, had an MM of 9.8.

According to another report by the Domain property group, covering the December quarter of 2016, the mainly working class city of Wollongong, about 80 kilometres south of Sydney, is the third most expensive city in Australia. House prices increased 16.7 percent last year, with a current median price of over $700,000.

A former steel city, Wollongong has been devastated by decades of job cuts at the Port Kembla steelworks and related industries, imposed by the major companies and the trade unions. Now, amid widespread youth unemployment and endemic poverty, property developers are billing the coastal city as a potential "Riviera," leading to a spike in purchases by investors and those with no prospect of buying a home in Sydney. Similar developments are taking place in Newcastle, another former steel city, about 160 kilometres north of Sydney, and other working class regional centres.

Numbers of reports have underscored the mounting social hardship that has resulted from such soaring housing costs. Among young people, home ownership is becoming a thing of the past. According to figures released last year, ownership in the 25- to 34-year-old age bracket fell from 39 percent in 2002 to 29 percent in 2014.

Those who do purchase a house are saddled with mortgage repayments that often outstrip a single wage. Between 2010 and 2015, the length of time it took for a two-income household, on average full-time wages, to even save a deposit to buy a median-priced house rose from 5.8 to 7.9 years.

Rental costs have also continued to rise, with the median weekly rent for an apartment in Sydney standing at over $500, or about a third of the median household income. This means there is widespread rental stress, defined as more than 30 percent of gross household income spent on rent.

The poorest and most vulnerable layers of workers and youth have been hardest hit. In June 2016, 41.2 percent of households receiving welfare payments as well as a fortnightly $130 from a Commonwealth Rental Assistance (CRA) supplement, were experiencing rental stress. Over 1.3 million households received the payment last year. Another 68.2 percent of households who received welfare, but not the CRA, suffered rental stress.

Even with rent assistance, the proportion of young people on welfare allowances but suffering rental stress was 57.6 percent. In the major cities, the proportion of young renters in rental stress, but who have no government assistance was 81.1 percent.

More than 30 percent of households receiving the Disability Support Pension and rental assistance were experiencing rent stress. And so were 57 percent of households leased by people over the age of 75, who had no rent assistance.

A report this month by Choice and the National Association of Tenant Organisations underscored the knife-edge existence that millions of renters face. It found that 83 percent of renters were on a lease with no fixed term, meaning they could be required to vacate with minimal notice, or a lease of less than 12 months.

In a glimpse into the conditions renters face, 27 percent said there was some form of insect infestation in their homes, while 24 percent said their rental premises had doors or windows that would not close properly, among numerous other defects and problems. The majority failed to contact their landlord when issues arose, with 42 percent concerned that such contact would result in a rent increase, and 23 percent citing fear of eviction.

Public housing has been gutted by consecutive Labor and Liberal-National governments in all states. According to a study released last June by the Australian Institute of Health and Welfare, almost 200,000 people are languishing on social housing waiting lists.

Homelessness has also grown. According to a 2014 survey, approximately 2.5 million people (over 10 percent of the population) aged 15 years or over have experienced homelessness at some point in their lives. Of those, around 1.4 million experienced at least one episode in the previous 10 years. Homeless people are routinely vilified and harassed, and in Melbourne—Australia's "most livable city," the city council is moving to ban "rough sleepers" from the streets.

While the Demographia report concludes by appealing to governments to "take action" on housing affordability, the rise in house prices is the product of the rampant profiteering endemic to capitalism. This has been boosted by policies that have enriched property developers and financial speculators at the direct expense of millions of ordinary working people. Successive federal governments have insisted on retaining the policies of "negative gearing" and capital gains tax subsidies for property investors that have contributed to the housing crisis.

The housing crisis is just one expression of the dramatic growth of social inequality in Australia. The richest 10 percent of the population have now accumulated more than half the country's total household wealth, while the poorest 40 percent own virtually nothing. And the bottom 20 percent have "negative wealth," with their debts outstripping their assets (see: "Report reveals, for the first time, extent of wealth inequality in Australia").

This mounting household debt crisis, along with skyrocketing home prices, has prompted nervous warnings that Australia's housing bubble may soon burst, leading to a new financial crisis and a disaster for millions of people saddled with exorbitant mortgages. Earlier this month, the International Monetary Fund called on Australian banks to boost their capital holdings, in order to "withstand a significant housing market correction."