Hundreds of thousands of Australian dwellings unoccupied as housing crisis deepens

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Figures released earlier this year from the 2016 Australian census, and recent modelling, have highlighted the social divide and rampant financial speculation that underlies the deepening housing crisis facing millions of working people.

While indices of housing unaffordability have reached unprecedented heights, and rates of home ownership are sharply declining, hundreds of thousands of investment properties across the country sit empty.

Almost 1.2 million dwellings—11.2 percent of the country's total housing stock—were recorded as being unoccupied on the night of the census in August last year. That represented a five-year increase of 19 percent in Melbourne and 15 percent in Sydney, the two centres of the property boom in the east coast of the country.

The raw figure likely overstates the number of empty homes, because it includes people who were travelling or at another property when the census was conducted, and dwellings that were up for sale.

An article in the *Conversation* on July 17, by University of New South Wales academic Hal Pawson, cited estimates of real home occupancy rates from Prosper Australia. According to their modelling in 2015, based on statistics of water usage, 82,000 of the unoccupied dwellings in Melbourne are "speculative vacancies." The figure constituted almost five percent of the city's total housing stock and represented a 28 percent increase over 2014.

According to Pawson, if that ratio were extended to Sydney, it would indicate at least 68,000 speculative vacancies in that city. Nationwide, he suggests that the number of empty dwellings owned by investors may be around 300,000, or three percent of all housing.

The Prosper Australia figures underscore the extent to which investment in the housing market has been driven by speculation aimed at turning over a quick profit, without having to manage the costs associated with renting-out or even maintaining a property.

The 2015 data for Melbourne showed that 18.9 percent of all investor-owned dwellings were vacant. Nationally, investors accounted for 40 percent of all new housing loans from the major banks at the beginning 2017, with the figure remaining above 35 percent in the six months since then.

The growing number of unoccupied investor properties has coincided with a massive increase in property values. House prices have doubled in Sydney and Melbourne over the past eight years, with median values increasing this year to over $1 million in the former, and more than $900,000 in the latter. Average prices in Sydney rose by 19 percent last year and by 14 percent in Melbourne.

Investors calculate that by keeping a property vacant, they can see the value of their asset rise with minimal capital outlay. Investors can also borrow against the value of their existing properties, including to purchase other dwellings, and to speculate elsewhere. When there is a sharp spike in house prices, and they want to put their property on the market, they can do so far quicker if there are no tenants.

The domination of financial speculation over the housing market, and the soaring prices that it has resulted in, have led to an unprecedented decline in rates of home ownership, especially among young people.

The 2016 census found that just 31 percent of the population owned a home outright, a 10 percent decline over the past 25 years.

Modelling by the Grattan Institute found that among 25- to 34-year-olds, total home ownership has fallen to 45 percent, down six percent over the past decade and 13 percent over the past 30 years. The figure, however, includes young people who will be burdened with mortgages for decades to come.

Other census modelling by financial planner Robert Snell showed that for 25 to 34-year-olds, almost 114,000 live with their parents in Sydney, even though they are classed as "non-dependent" because they have an income. In other words, an entire generation is being denied the prospect of independent housing.

The sharpest decrease in state-rates of home ownership across all age groups was in Victoria. Some 66 percent of the population is now classed as owner-occupiers, including those holding mortgages, down from 74 percent in 2001.

The census also documented a significant rise in the number of renters in all states and territories. The increase was highest in Victoria, at 18 percent, followed by the Australian Capital Territory at 14 percent and New South Wales, at 11 percent. While part of the rise was due to growing population, it was also a product of broad layers of the population being priced out of home ownership.

This was underscored by survey results last week from Mortgage Choice and CoreData, which found over 63 percent of respondents thought that "only people with a lot of money can achieve the Great Australian Dream" of home ownership.

Underlying the housing crisis is the growing divergence between stagnant or declining incomes, and rising property prices. Annual wage growth to the month of May remained at record lows of 1.9 percent across the private sector. According to a report released by LF Economics last month, the national median house price is nine times average annual income. In Melbourne, it is 10 times income, and in Sydney, the ratio is greater than 13.

This has spurred an unprecedented rise in the ratio of household debt to disposable income, which now sits at 211 percent, among the highest of developed economies. The unsustainable bubble, based on debt, has prompted fears of a property crash.

Speaking at a conference organised by the Melbourne Institute and the *Australian* on Friday, Liberal-National Prime Minister Malcolm Turnbull warned that it was necessary "to remember that asset price movements go in two directions." Melbourne Institute Professor Guay Lim pointed to the high levels of debt among impoverished sections of the population. According to news.com.au, he noted that "28 per cent of households where the reference person is unemployed have owner-occupied housing debt."

Having promoted the frenzy of property speculation, through record-low interest rates and incentives for major investors, including negative-gearing and capital gains tax concessions, regulators and government authorities are caught in a dilemma.

Any move to rein in the market could result in a precipitous decline in borrowing, along with mortgage defaults, posing the risk of a full-blown crash that would heavily impact on the banks and financial institutions. According to most estimates, residential home loans account for around two-thirds of bank lending assets.

At the same time, since the collapse of the mining boom, property, along with related industries including construction, is virtually the only sector of the economy that has grown. The ever-greater turn to speculation in housing is bound up with declining confidence on the part of the financial elite in the prospects of yielding sufficiently profitable returns through productive investments in the real economy.

Deloitte Access Economics last week predicted that, because of these fears, the Reserve Bank would not sharply raise interest rates from current record lows of 1.5 percent until 2019 at the earliest. "Although we see rates rising, you shouldn't expect a sprint," it stated. "We're sitting on a housing powder keg."

The report pointed to any precipitous decline in the housing market, along with a deepening of the slowdown of the Chinese economy, as potential risk factors for Australian capitalism.