Australia’s housing crisis to worsen whichever party wins election

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On Sunday, six days before the federal election, Prime Minister Scott Morrison suddenly announced that his government, if re-elected, would provide $500 million to assist a select group of first home buyers to make a purchase.

“We want to help make the dreams of first-home buyers a reality,” Morrison demagogically declared at the party’s official campaign launch. Labor leader Bill Shorten immediately followed suit, announcing that an incoming Labor government would match Morrison’s First Home Loan Deposit Scheme.

The scheme is a sham and will do nothing to reduce housing prices, skyrocketing rents and rising homelessness across the country. The plan is aimed, above all, at propping up falling property prices by providing a $500 million transfusion into the market. Those who will primarily benefit will be the banks, property developers and speculators.

Morrison’s loan scheme is reportedly modelled on New Zealand’s Welcome Home Loan, set up in 2003. The Welcome Home Loan, and a more recent HomeStart grant, has provided little assistance to home buyers, but has contributed to galloping prices. The median price in Auckland has doubled since 2009 and is now $850,000.

Under the proposed arrangement for Australia, just 10,000 people, or one in ten first home buyers annually, will be able to place a 5 percent deposit on the value of the home they want to purchase instead of the current 20 percent required by the banks. The remaining 15 percent will be underwritten by the state-funded National Housing Finance and Investment Corporation.

While house prices in Australia’s major cities have been falling over the past two years, they will remain out of reach for millions of people. In Sydney and Melbourne, the two largest cities, the median house price is $840,000 and $650,000 respectively. Even with government assistance for a deposit, no one on the minimum wage or welfare can “dream” of owning a home.

Those who will be able to take advantage of the scheme will already be relatively well-off. Significantly, the government assistance will extend to first home buyers earning up to $125,000 annually, or couples taking home up to $200,000 per year. An annual income of $125,000 puts an individual in the top 25 percent of income earners.

The scheme will do nothing for those who are facing “mortgage stress”—i.e., paying more than 30 percent of their income on a mortgage and unable to cover other necessary expenses. Currently more than one million Australian households are in “mortgage stress” with over 60,000 at risk of defaulting on mortgages this year.

Moreover, as a result of falling property prices, an estimated 400,000 home and apartment owners are currently “under water”—that is, they are paying down loans greater than the value of their properties. If they sold their home, they would be faced with paying off the remainder of the loan.

The new loan scheme will add to this nightmare. First home buyers will ultimately still have to repay 95 percent of the price of the property, which increases the prospect of mortgage stress and financial difficulties.

Last December, Moody’s predicted that Australian mortgage defaults and delinquencies would rise this year. It reported that overall household ratio of debt to income in Australia is over 189 percent, more than doubling over the past 30 years.

Those unable to buy a home are forced into the inflated rental market. Average weekly rents for an outer-suburban two-bedroom house in Sydney is over

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$540, and $530 for an apartment. As one moves closer to the city centre, the rents rise dramatically.

According to Anglicare's latest annual rental affordability survey, only 2 percent of all the available rental properties nationally were affordable for those receiving the official minimum wage of about $37,000 a year.

For those on welfare payments, the situation is even worse. Only 75 affordable rentals existed for a single parent with one child on Newstart unemployment benefits, and just over 300 for single person on a disability support pension.

For a single person receiving Newstart or Youth Allowance, there was not one affordable property in any major Australian city or regional centre.

The only alternative, state-funded public housing, has been systematically run down and privatised over decades by state governments across the country. In New South Wales alone, there are approximately 60,000 public housing tenants with almost a quarter of a million applicants on public housing waiting lists.

Currently, over 116,000 people, mainly young people and the elderly, are officially homeless in Australia, overwhelming homeless support services and charities.

According to Anglicare, by 2036 Australia will need 728,600 social housing properties for those on social security, and 295,000 affordable rental homes for low-income earners. The Liberal-National coalition, Labor, the Greens, or any of the parliamentary parties do not address the issue.

The housing crisis is a direct product of property speculation fuelled by record low interest rates and government policies. Liberal-National Coalition and Labor governments have encouraged property investment via “negative gearing” tax subsidies and capital gains tax concessions. Labor now declares it will limit negative-gearing, but has no intention of abolishing it.

Every aspect of the housing crisis is a product of the subordination of the essential social needs of the working class to the profit requirements of big business. The basic social right for everyone to “a roof over one’s head” is impossible under capitalism.

Yet, the resources exist to provide decent housing to everyone at an affordable price. As a first step, the tens of thousands of construction workers who are being put out of work should be employed in building accommodation. Empty apartments and houses owned by property developers and speculators should be taken over and used to provide accommodation to the homeless.

Such measures will only be carried out in the fight for a workers’ government and a socialist program. The productive forces of society—the banks, giant construction and mining corporations and other key industries—must be taken out of the hands of private profiteers and placed in public ownership under the democratic control of the working class.

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