

# Australia: Property bubble bonanza for ruling elite fuels social crisis for the working class

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As is taking place around the world, the intensifying COVID-19 pandemic is accelerating the already staggering levels of income and wealth inequality in Australia. Millions of working-class households are suffering severe financial distress, while the ruling elite is swimming in cash. The social chasm is summed up by the speculative frenzy in the property market.

*Domain* last month revealed that median house prices across Australia reached \$994,579 at the end of the September quarter, up from \$816,082 at the corresponding time last year. This is a 21.9 percent increase in 12 months, the sharpest rise in three decades.

The worst affected city is Sydney, where median house prices last month hit a record of \$1,499,126. This is up by \$349,000 since the 2020 September quarter, or 30.4 percent, so the median housing cost increased by \$984 per day over the past year. Prices in half a dozen suburbs rose by at least \$500,000.

Canberra's median house prices sat at \$1.074 million, representing a record \$740 increase per day over the past year. Melbourne's median house price rose to \$1.034 million. Brisbane's hit \$702,455, and Adelaide saw a 5.6 percent rise to \$667,888. Perth experienced a rise of 9.8 percent, from \$545,129 to \$598,601.

Units and apartments across the country had a median cost of \$609,642 up from \$571,016 last year, a 6.8 percent increase. In Sydney, again the worst-affected area, median costs last month were \$802,475, up from \$733,049, an increase of 9.5 percent.

Hobart, capital of the island state of Tasmania, also saw staggering increases in housing and apartment costs at 31.9 percent (increasing to \$698,212) and 23.8 percent (increasing to \$532,284 respectively). Hobart

house prices have doubled in the past five years.

The explosion in prices has been fueled by record low interest rates implemented by the Reserve Bank of Australia, which has effectively funneled billions of dollars into the financial markets. Federal and state governments have provided unprecedented business stimulus packages that are being churned into speculative activity on the share and property markets.

Like its Labor Party predecessor, the Liberal-National Coalition government has maintained capital gains tax concessions and other policies, such as negative tax gearing, which has provided a financial bonanza for property developers. The rise and rise of housing costs has seen finance capital gouge out profits through speculation, especially in the property market.

One graphic expression of the crisis was the sale in March of a modest three-bedroom brick house in Cabarita in Sydney's inner-west for \$8.275 million. It is not unusual to hear of houses in Sydney's working-class western and southwestern suburbs selling for well over a million dollars.

Working people, and younger people in particular seeking to purchase their first home, have been priced out of the market and face a wall of investor money when they try to buy a property.

Economist Saul Eslake told ABC-TV's "Four Corners" program last month: "What's really striking is the decline in the home ownership rate among people under the age of 45." At the 2016 census, the rate of home ownership among people under 45 was lower than it had been at the census of 1954.

Eslake added: "I suspect when the 2021 results come out, the home ownership rate among younger Australian adults, that is say between their 20s and

mid-30s, will be lower than it was at the census of 1947.”

The housing bubble is fuelling a social disaster for millions of working people, students, and youth. In July, a *Domain* survey reported that approximately 31 percent of the population face rental or mortgage stress—that is, spending at least a third of their income on housing costs. According to an Equity Economics report released earlier this year, in New South Wales alone 530,000 households, accounting for 1.4 million people, were in housing stress and in need of affordable housing.

The government-promoted speculative frenzy in the property market is flowing on to increased rents. In June, CoreLogic reported that median rents were up 6.6 percent in a year, the biggest increase in a decade. The median weekly rent is now over \$470 for houses or units.

Even before the pandemic, on any given night in 2019, around 290,000 people were homeless, according to the Australian Homeless Monitor 2020 report. In that year too, some 1.3 million people in low-income households were pushed into poverty because of unaffordable housing costs.

The housing bubble is also creating the conditions for a major financial meltdown similar to the subprime mortgage crisis in the United States that triggered the global crash of 2008.

A central component of the collapse of the US bubble was the divergence between house prices and real wages. These conditions are emerging sharply in Australia. While housing costs are reaching astronomical heights, real wages are stagnating and declining.

Australian Tax Office data for the 2018–2019 fiscal year showed that the average salary was around \$63,085, while the median salary was \$52,732. This means that the median house price in Sydney was around 24 times higher than the average salary, and the national median house price was 16 times higher.

According to the Australian Bureau of Statistics, wages have grown by just 1.7 per cent in the 2020–2021 fiscal year, below the rate of inflation, representing a wage cut in real terms. The pandemic has been used to accelerate a government-employer-union assault on the conditions of workers and intensify pro-business restructuring aimed at destroying

permanent full-time jobs and driving down wages.

Governments, both Liberal-National and Labor, have proceeded with the full reopening of the economy, adopting Boris Johnson-style “freedom days,” recklessly restarting schools and effectively embracing a “herd immunity” policy. These criminal policies are endangering the lives of working people, students and young people.

At the same time, the government has deliberately imposed the economic burden of the catastrophe on working-class households. Income support for workers and youth who have lost their jobs during lockdowns was at a poverty-level and is being ended with the “reopening.” Meanwhile, the governments continue to pour billions more dollars into the pockets of the finance and property markets.

The housing disaster is a sharp expression of a global process, with the deepening crisis of the capitalist economy resulting in an ever-more pronounced turn by the ruling elite to financial speculation and parasitism.

This underscores the necessity for a socialist movement of the working class, aimed at transforming society to meet social needs, not the profits of the corporate oligarchy. That requires the expropriation of the property developers, major real estate corporations, banks and financial institutions, and a socialist program that guarantees decent, affordable housing for all, as a fundamental social right.



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