Australia's housing crisis pushing thousands into poverty and homelessness

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The Reserve Bank of Australia (RBA) lifted interest rates by 25 basis points on December 6, the eighth consecutive monthly hike. RBA governor Philip Lowe has signalled that this program, aimed at slowing the economy and beating back a wages push by workers, will continue into the new year.

The cumulative impact of the rate rises has been to plunge broad sections of the working class into mortgage stress as their monthly repayments continue to rise. This is having a flow on impact, with unprecedented rental costs, growing homelessness and associated distress, including increasing suicide rates.

The impact of the rate rises is exacerbated by runaway inflation, which the hikes will do nothing to address. While official inflation is at 7.3 percent, for household goods and essential basic items the rate is much higher. According to the latest Australian Bureau of Statistics (ABS) figures, for instance, fruit and vegetables had a 16.2 percent annual price increase in the 12 months to the September quarter.

Research agency Roy Morgan has stated that, taken together, the rate increases thus far will push one in four home loan borrowers into "mortgage stress." There are different measures for this phenomenon, but the market research firm defines it as households allocating more than 25 percent of their take-home pay to repayments.

This, however, is only the tip of the iceberg. Next year, between July and December, at least $275 billion worth of home loans from the major four banks are set to come off fixed rates.

Andrew Barker, economist at the Committee for Economic Development of Australia (CEDA), said "almost half of loans taken out in the middle of 2021 were taken out on a fixed-rate basis." This was "unusually high for Australia."

The growth in fixed-rate loans was bound up with the RBA's decision to reduce interest rates to record lows in 2021 to encourage families to purchase houses at massively high prices, with false promises that there would be no rate rises until 2024. The purpose was to funnel billions into the financial markets.

Those who purchased houses at that time are at the highest vulnerability.

The dangers are compounded by falling house prices. According to CoreLogic, home values in the five largest capital cities, Sydney, Melbourne, Brisbane, Adelaide and Perth, have dropped by 6.4 percent based on the year-on-year average.

The drop is different in each of the cities, with some values rising, however Sydney, Australia's most populous city, has seen a 11.5 percent year-on-year decline.

Some are at risk of becoming "mortgage prisoners." This occurs when a mortgage holder is unable to refinance their loan and the value of their underlying asset, their property, is less than their outstanding debt on it.

The increasing hardships facing mortgage-holders are having a flow-on effect, with record rental increases. Mortgage-holders who rent out a property are seeking to offset their costs by hiking rents. This is compounded by long standing issues of supply.

Figures put out by SQM research, also in November, indicated that rents in Sydney had skyrocketed by an unprecedented 28 percent over the previous 12 months to an average of $709 per week. The indices were similar in a number of other capital cities, with a 24 percent rise to $574 per week in Brisbane, for instance. Rents are also rising more rapidly in regional areas than ever before.

The annual Rental Affordability Index, released last month, found that more than 40 percent of low-income tenants are now in rental stress, defined as spending more than 30 percent of their income on housing costs.

Increasingly, there are simply no affordable dwellings for the poor. A March 2022 study, for example, found just 1.4 percent of properties advertised nationally were affordable to a couple on the aged care pension.

Growing numbers are being pushed into homelessness, underscored by research published by Launch Housing in conjunction with the University of NSW at the beginning of the month.

Their Australian Homelessness Monitor 2022 report notes there are no up-to-date statistics measuring homelessness. Instead, they used a proxy measure, the increased caseload of specialist homelessness services. “Across Australia,” the report states, “the average monthly number of specialist homelessness service (SHS) users grew from 84,800 people in 2017–18 to 91,300 people in 2021–22.”

This may be a conservative estimate as SHS caseloads vary from region to region and monitor only those who seek, and are provided with, assistance. Even so, it amounts to an increase of 8 percent over the four-year period, twice the rate at which the total number of households has grown.

Over the four years there has been a disproportionate increase in older adults reporting homelessness. The report notes “SHS service users aged 50–64 and 65+ increased in number at more than twice the rate of younger age groups.”

Social misery is inevitably increasing. Suicide Prevention Australia is warning that housing access and affordability is the fastest growing cause of distress in the country.

Its December Community Tracker noted a 71 percent increase in Australians experiencing elevated stress levels in November compared to the same time in 2021. While cost of living and personal debt remained the number one driver, housing access and affordability have escalated rapidly over the past three months, overtaking unemployment and job security.

Some 38 percent of Australians knew someone in their life or personal networks who has died from or attempted suicide in the past twelve months, a 7 percent increase from the previous month.

The housing crisis is the direct result of the policies of successive governments, Labor and Liberal-National alike. They promoted the speculative housing bubble which drove up costs through tax incentives, the low interest regime and other measures.

At the same time, governments have gutted public housing, depriving the poor and vulnerable of any affordable options.

Social housing, involving government subsidies to non-government organisations, is also in a crisis. The Australian Homelessness Monitor stated that “over the period 1991–2021, social housing lettings plunged by 42 percent—or proportionate to population, 61 percent.”

None of these issues will be addressed by the federal Labor government. After assuming office in May, it dropped its campaign slogan of a “better future,” instead declaring that working people would need to accept “sacrifice” and “pain,” in the form of continuing real wage cuts, a soaring cost of living and austerity cuts to social spending.

As part of this offensive, the government budget allocated virtually nothing to housing. It included just $350 million to build a measly 10,000 new dwellings, with the state and territories contributing in kind to building another 10,000. In total, with previous commitments, Labor claims the plan will construct 40,000 new homes. Some will be social housing, while others will be vaguely defined “affordable housing.”

However, construction will not begin until 2024 and they will be built over a five-year period. Even if they are built, of which there is no guarantee, it is barely a drop in the ocean for the social housing need. According to several research reports, Australia’s shortfall in social housing dwellings is 524,000 and is set to reach 671,000 over the next decade.

The housing crisis is a stark example of the fact that the most basic needs of working people are incompatible with a society dominated by the profit interests of the banks, the billionaires and governments that do their bidding.