More than 330,000 Australian workers face "significant rental stress"

John Harris, Martin Scott
1 May 2023

The "State of the Nation's Housing 2022?23" report, released last month by the National Housing Finance and Investment Corporation (NHFIC), a federal government body, details a sharp decline in housing affordability and availability across the country.

Soaring housing expenses come on top of the broader rise in the cost-of-living, with the official inflation rate at 7 percent and prices of basic items, such as food and utilities, rising even more rapidly. Wages, on the other hand, increased just 3.3 percent in 2022.

The NHFIC report estimates that around 377,600 households are in "housing need." That includes 46,500 homeless and 331,100 in "significant rental stress," defined in this case as households in the lowest income quintile who are spending more than 30 percent of their income on rent.

Rental stress is most common among the lowest income earners, with 80 percent of households earning less than $20,800 likely to be paying more than 30 percent of their income in rent.

But most households in the second and third income quintiles are also at high risk of rental stress—around 70 percent of households earning $20,800–$41,599 and half of those earning $41,600–$78,000.

Advertised rents for non-detached homes soared in cities across the country in 2022. The most rapid rises were in Brisbane (18 percent), Sydney (17 percent), Adelaide (16 percent), Perth and Melbourne (both 14 percent), while listed prices in other state and territory capitals increased by around 10 percent.

While prices for ongoing tenants have not increased as rapidly, the Australian Bureau of Statistics (ABS) found that rents rose 4.9 percent across the country in 2022, the sharpest increase since 2010.

In part, these surging rents are the product of demand for housing outstripping supply. Vacancy rates in most capital cities fell last year and are now at record lows of around 1 percent.

For low-income earners, finding an affordable place to rent is virtually impossible. Anglicare's 2023 Rental Affordability Snapshot found that, of the 45,895 rental properties advertised on March 17, just 345 were affordable for a single person earning minimum wage, less than half the 2022 figure. For a minimum-wage earning single parent with two children, only 336 suitable properties were affordable.

The survey found no homes that a single person on youth allowance could afford, just four within the budget of a single person on JobSeeker, and only 99 that a couple (both receiving JobSeeker) with two young children could afford. Only 508 rental properties were affordable for a couple on the age pension and a mere 66 homes—0.1 percent of those advertised—were in the price range for a single adult receiving the disability support pension.

The situation is little better for home buyers. According to the NHFIC, virtually no properties were affordable (mortgage repayments 30 percent of income or less) for potential first home buyers with income in the lowest 40 percent.

Ten interest rate hikes in 11 months by the Reserve Bank of Australia have increased the cash rate from 0.1 percent to 3.6 percent and in response, banks have pushed retail home loan rates above 6 percent. This means borrowers face monthly repayments of more than $4,100, based on the median capital city dwelling price of $765,000 and a 10 percent deposit.

The vast majority of Australian home buyers have variable-rate mortgages, so interest rate rises have an immediate impact. But with interest rates at record lows in recent years, many borrowers took out loans with short fixed-rate periods, meaning this year some

800,000 households are facing a sudden lurch from around 3 percent interest to more than 6 percent.

While home prices are substantially higher than pre-pandemic levels, property values fell by 8 percent across the country in the year to April, according to CoreLogic. The combination of this downturn with soaring interest rates means tens of thousands of recent buyers are at risk of being unable to afford repayments, while still owing the bank more than their home is worth.

On Sunday, the federal Labor government announced an expansion of eligibility for its Home Guarantee Scheme, under which the government serves as guarantor for as much as 15–18 percent of a home loan. This means buyers can secure a loan with a 2–5 percent deposit without taking out lenders mortgage insurance.

The scheme does little to make homes more affordable for workers and in fact puts more upward pressure on housing prices, by allowing banks to lend more without risk.

This is in line with the Labor government's other housing policies, which will do nothing to address the crisis.

In its "housing accord," released last October, Labor vowed to work with state governments and property developers to build 1 million new homes between July 2024 and June 2029. In fact, this would barely be an increase on the historical rate. In the five years ending March 2022, 985,000 homes were constructed, according to the *Australian Financial Review*.

As with any so-called "market solution," this scheme will proceed only to the extent that it boosts the profits of the wealthy elite, in this case the big property developers and the major banks.

The NHFIC report notes that the details of this plan remain unclear and cautiously predicts that it "may help to increase supply." The NHFIC predicts that 106,300 fewer new homes will be built over the next five years than are needed.

The critical shortfall is not in the overall housing market, but in public housing and affordable homes. Labor has floated plans for a $10 billion "future fund," which would provide funding for just 20,000 public housing dwellings over the next five years, with another 10,000 "affordable" homes for "frontline workers."

Even if this plan goes ahead, it is a fraction of what is required. A 2021 Australian government-funded review found that "around $290 billion will be required over the next two decades to meet the shortfall in social and affordable housing dwellings."

A November 2022 paper prepared for the Community Housing Industry Association found that 640,000 households were "not in appropriate housing" and estimated that this will increase to more than 940,000 by 2041.

In order to meet this need, the report says, 47,000 new social and affordable homes are needed each year for the next two decades. But over the past 15 years, just 2,000 such dwellings have been constructed each year, according to the NHFIC.

Australia's housing crisis is the product of decades of harsh cuts to public housing expenditure by successive Labor and Liberal-National governments.

The current federal Labor government, having narrowly won office last year promising a "better future," is in fact carrying out an assault on social spending and wages, in line with the profit demands of big business and the banks. This harsh austerity agenda is also motivated by the need to vastly increase military expenditure in preparation for a US-led war against China.

The housing crisis demonstrates that the basic needs of working people are incompatible with the capitalist system, which subordinates all wealth in society to the private profit interests of the banks, corporations and financial elite.