Rents soaring to record levels in Australia

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Amid a general cost of living crisis which is acute across all essentials, including food and utilities, rising housing costs are pushing hundreds of thousands or possibly even millions to the financial brink.

Successive interest rate rises over the past year have driven up average monthly mortgage repayments by more than a thousand dollars. A protracted property boom means that house prices remain at unprecedented highs, with the median house price in Sydney, the country's most-populous city, now pushing $1.5 million. With stagnant or falling wages, home ownership is out of the reach of broad layers, especially younger people.

Rents, however, are also skyrocketing. Figures released by the property group Domain for the June quarter and the last financial year show unprecedented annual increases, as well as a continuing acceleration of rental costs.

Across the country's capital cities, median asking rents for houses increased by 11.5 percent over the 2022–23 financial year. Slight falls in smaller cities, such as Hobart and Canberra, masked far greater increases in larger population centers.

In Perth, the Western Australian capital, median asking house rents increased by 16 percent, from $500 a year ago to $580 now. In Melbourne, the increase was 13 percent, Sydney 12.9, Adelaide 12.5 and Brisbane 11.5 percent. Some 6.1 percent of the yearly increase in Sydney occurred in the June quarter alone.

The hikes were even starker in apartments. That is significant because the apartment market caters to lower-income people who cannot afford to rent a house.

Nationally, the increase in rents for the apartment market in capital cities exceeded 26 percent. That was driven above all by a 27.6 percent increase in Sydney, where median asking apartment rents went from $525 a week in June 2022, to $670 a year later. Over the June quarter alone, the increase was more than 8 percent, the highest quarterly rise recorded by Domain in the 20 years it has kept records.

Taken together, the figures indicate that house and unit rents in Sydney, Melbourne, Brisbane, Adelaide and Perth have reached their highest levels ever. While house rents in Darwin, historically a lower income city in northern Australia, are also at unprecedented heights.

The rental increases are affecting a broad range of the population. Separate data from property analysts at CoreLogic at the beginning of June found that more than 40 percent of renting households across the country had experienced an increase in rents of 10 percent or more.

The increases are inevitably having their greatest impact on poor and working-class households, along with lower sections of the middle-class, that do not have a substantial financial buffer.

In Sydney, for instance, the Domain figures showed apartment rents were up 36.4 percent annually in the inner south-west, 33.3 percent in the Parramatta region and city and inner south, and 30.8 in the inner-west. The first two areas include many working-class families. The inner-west, though increasingly more gentrified, has a large younger population including substantial numbers of students.

In Parramatta, the median weekly asking rent for a unit is now $600, while even in the solidly working-class outer south-west of Sydney it has reached $450.

The sharp increases in rents contrast starkly with the state of wages. The wage price index for the year to March increased by just 3.7 percent, far below inflation which has been running at around 7 percent. For the year to March, national apartment rents had increased six times faster than the 3.7 percent wage figure, and housing rents three times faster. Together with the broader inflation crisis, that means a vast cut to workers' real disposable incomes.

An April report by the housing advocacy organization, Everybody's Home, tabulated the incomes of various cohorts deemed to be essential workers, and compared them with average rents. The findings were of indicative value only, given that they were based upon average figures of wages and rental prices. They did not take into account cohabitation arrangements, including with marital and de facto partners, or savings and other background information.

The figures are nevertheless stark. The average net pay of an aged care worker, as of March, for instance, was just $747. If they were to rent an average dwelling alone, at $572, they would be spending 77 percent of their weekly take home pay on housing costs. For a meat packer, the percentage of weekly wages was 81 percent, as it was for hospitality workers. It was over 70 percent for postal workers, retail workers, delivery drivers, childcare workers and for other groups.

The study looked at how many days' pay would be required for the different cohorts to fund average rental increases over the three years since March 2020. A hospitality worker and meat packer would have lost the equivalent of 41 days of pay to finance their rent rises, with over 30 days for most of the other sections of workers examined.

The impact of the price rises in the largest capital cities, such as Sydney, has presented an impossible situation for these essential, but generally low-paid sections of the working class. If they were to live alone in an average rental, a childcare worker would be paying 89 percent of their weekly income on housing, an aged care worker 87 percent, an ambulance officer 72 percent.

Everybody's Home noted: "Our calculations suggest that essential workers in single households are likely to be in serious financial stress with little or no savings buffer, while workers in coupled households are likely to be financially dependent on a partner's income."

That was demonstrated by Nine Media polling this week, which found that 51 percent of all adult Australians said they would struggle to meet any unexpected expense, a figure up from 41 percent in February.

Rental vacancies remain at very low levels, especially in the capital cities where the figure is in many instances near or even less than one percent. Landlords with a mortgage are undoubtedly passing on increases resulting from the interest rate hikes, as well as the more general impacts of inflation.

The corporate media, many of whose outlets have a direct stake in the property market, have tended to present a sympathetic portrait of landlords themselves "doing it tough." The picture they present is one of small-time investors who own one rental property and are making scarcely any money.

This is, however, not the reality. Data from the Australian Taxation Office, released in June but collected in 2020–21, found that 51.1 percent of rental properties belonged to an individual who owned at least 2.6 rental properties. That was 20 percent higher than two decades before, demonstrating an ever-greater concentration of investment housing ownership. For that year, 53 percent of landlords made a profit from their tenant, with a taking across the board of more than $10 billion.

Analysts cite general supply issues. They are, however, a product of the domination of the property industry by the most powerful financial interests, whose housing construction is based solely on concerns of private profit.

The broader issue of supply finds its starkest expression in the absence of affordable housing. Decades of underinvestment and privatisation has caused a precipitous drop in social housing stock, government-subsidised dwellings that are supposed to be affordable—from 7.1 percent of properties in 1991 to 4.2 percent by 2018.

Studies suggest that Australia's social housing shortfall is already the equivalent of 524,000 properties and is set to reach 671,000 over the next decade.

That underscores the criminal character of government housing policies, which, combined with a rising population and growing financial distress, are calculated to worsen the situation. The federal Labor government's stalled housing legislation was aimed at creating just 30,000 social and affordable dwellings over the next five years. Similarly pitiful proposals have been floated by the various state governments.

In New South Wales, the newly-elected Labor administration is centering its housing policies on a campaign for the further watering down of restrictions on property development. Premier Chris Minns has outlined a vision of more and more high-rise apartment buildings, especially in inner-city areas.

The transparent aim of this, and other policies, is not to increase housing supply so that rents go down. Instead the purpose is the opposite: to do everything possible to ensure property developments and high-end investors continue to rake in profits on the back of deepening social misery.