Home ownership the “preserve of the rich” in Australia

Vicki Mylonas
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The Reserve Bank of Australia’s (RBA) increase earlier this month of the cash interest rate to 4.35 percent, the 13th since May 2022, is pushing home ownership even further out of reach for working-class Australians.

ANZ Bank CEO Shayne Elliott stated in the light of this increase that home ownership “has become the preserve for the rich.” Elliott was pointing to the social consequences of a housing affordability crisis from which his company has reaped vast rewards. ANZ, one of Australia’s “big four” banks, recently reported a profit of $7.4 billion, a 14 percent increase over the previous year.

There is a stark contrast between the two outcomes of the RBA’s repeated interest rate rises: bumper results for the banks, and deepening financial struggle for the working class.

According to research from Finder, the minimum income required to qualify for a mortgage, based on the national average house price of $926,899, with the cash rate at 4.35 percent, is $182,000 per year, almost three times the median individual income of around $65,000.

In Sydney, Australia’s most populous city, households need to earn a staggering $261,733 annually for a mortgage on an average-priced home.

Across the country, the median house price to income ratio, also known as the “median multiple,” is now greater than 7:1. Under this metric, a ratio of less than 3:1 is considered affordable, while anything over 5:1 is “severely unaffordable.”

Since 2000, house prices have increased 6 percent per year, while wages have increased just 3 percent annually. Household debt has accordingly increased from 40 percent to 120 percent of GDP. As a result, interest rate rises have a much larger impact on working-class lives than in previous decades, when workers were not saddled with such massive debts.

Mortgage affordability in the major cities of Sydney and Melbourne is now the worst since 1990, with more households experiencing mortgage stress. A household that spends 30 percent or more of its gross income on home loan repayments is classified as being in mortgage stress.

According to the Housing Affordability Index from funds management company Betashares, a couple earning two average full-time salaries would have to put 76.1 percent of household income into mortgage repayments on the average house in Sydney, or 50.5 percent in Melbourne.

By the end of the year, 48.5 percent of home loan borrowers will be in mortgage stress, according to analytics firm Roy Morgan.

First home buyers and households in working-class suburbs are the most vulnerable. While Sydney’s home loan delinquency rate is at 0.71 percent, up slightly from 0.63 percent in February, households in Western Sydney are more likely to be falling behind in their repayments.

This rate is highest for borrowers from suburbs including Blackett, Narellan and Shalvey, with 2.5 percent falling behind on their mortgages. Western Sydney also has a much higher proportion of mortgage holders than the rest of the city.

This has seen households cut back on insurance, miss medical appointments, eat fewer meals, fall behind on car loan repayments, and increasingly rely on credit cards or “buy now pay later” schemes for everyday expenses.

Australian Bureau of Statistics data has also shown that more people are having to take on a second job. In June, a record high of 958,600 people, around 1 in 15, worked a second job, up from a steady level of around

Recent research from the charity organisation Foodbank showed that 48 percent of Australian households experienced “moderate to severe” food insecurity in the past year. Of these, 77 percent listed the cost-of-living crisis as the biggest driver of food insecurity.

Opinion polling has shown time and again that the cost-of-living crisis is a key issue for voters. A recent survey by research company Resolve Strategic reveals that, as the social crisis in Australia deepens, the federal Labor government faces an increasing level of disaffection. Core support for Labor has fallen from 37 to 35 per cent over the past month, but this has not resulted in increasing support for the Coalition, which has fallen from 31 to 30 per cent. This reflects growing distrust towards the whole of the political establishment.

Despite the Labor government’s pledge to deal with the cost-of-living crisis, only 8 percent of those surveyed expected the economy to improve over the next three months, with 50 percent expecting it to get worse. 52 per cent stated that the cost-of-living crisis is the main issue, up from 32 percent the previous year.

Only 27 percent of those surveyed named Labor as the best party to manage the economy, with 46 percent stating that Prime Minister Albanese was doing a poor job, a sharp turn from his net positive rating after the May budget.

Labor has claimed that its “number one priority is addressing inflation and the cost-of-living crisis.” But more and more people are being squeezed out of the housing market, which is increasingly becoming a luxury for the rich.

Labor fully supports the RBA’s interest rate hikes, which have nothing to do with “fighting” inflation. They are aimed at slowing the economy, driving up unemployment and keeping wages down. This will only intensify the housing crisis for the working class.

As is the case internationally, a major social confrontation is developing. Workers all over the world are being propelled into struggle against the onslaught on living conditions, the Israeli genocide against Gaza and a broader eruption of militarism.

That poses the need for workers’ rank-and-file committees, independent of the corporatised union bureaucracies, which enforce the demands of big business for continuous attacks on wages and conditions. And it raises the need for a socialist perspective, aimed at reorganising society to meet social need, not private profit.