Australia: Rental pain sharpest in working-class suburbs

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Almost three-quarters of Australian suburbs are in "extreme rental pain," according to a recent report. The crisis of housing affordability and availability is most acute in working-class areas.

The June Rental Pain Index (RPI) report, by property data and analytics firm Suburbtrends, takes into account rent increases over the past year, vacancy rates, availability and proportion of income dedicated to rent. It synthesises these factors and produces a score from 1–100 for each region, where a higher score signifies more severe rental challenges.

The state of New South Wales (NSW) has an overall average RPI of 79.91, with rent costing an average of 33.41 percent of household income. Of the 17 locations in the state with an RPI of 100 ("extreme rental pain"), five are in Sydney's working-class southwest and west (Belmore–Belfield, South Greenacre, South Wentworthville, Panania and Macquarie Fields), two each in the ailing coal and steel centres of Newcastle (Redhead and Beresfield) and Wollongong (Berkeley and Shellharbour–Oak Flats).

More than half of the 25 least affordable suburbs in the state are in Sydney's southwest, with Greenacre and Bass Hill–Georges Hall, where rent accounts for more than half of household income, topping the list.

Of the 25 suburbs, rent prices rose most sharply in Lakemba (31 percent increase in the past year) and Belmore - Belfield (27 percent), but rises of 18 percent or more were common to all the southwest Sydney suburbs.

Across Victoria, rent increased by an average of 12.26 percent. Doncaster–East, Thomastown and Lalor, in north/northeast Melbourne all scored 100 in RPI. Of the 25 least affordable suburbs in the state, a great majority are in working-class areas (including Pakenham, Balwyn, Campbellfield, Frankston and Noble Park) and all have rent-to-income ratios of over 30 percent.

Working class suburbs such as Thomastown, Lalor and Campbellfield have been heavily impacted by the destruction of manufacturing jobs over the years. A South Pacific Tyres factory located in Thomastown closed in 2002, part of a wave of closures in the local automotive industry, most notably the 2016 shutdown of Ford's nearby Broadmeadows Assembly Plant.

Entire working-class suburbs have been transformed into industrial wastelands as companies shut down or downsize. These major closures have ramifications for smaller related businesses and have led to high unemployment in the area.

At the time of the 2021 Census, the highest rates of unemployment for the state of Victoria were in Melbourne's North, with more than 10 percent of the working-aged population out of work.

In Queensland, residents are compelled to spend more than 40 percent of their income on rent in the working-class Brisbane suburbs of Inala–Richlands and Mount Warren Park. Rent prices in the latter soared 30 percent over the past 12 months. Inala has some of the lowest income levels, highest unemployment rates and most acute housing shortages in Queensland.

Six of the Queensland suburbs with rent-to-income ratios over 40 percent are on the Gold Coast (Mermaid Waters, Robina–West, Varsity Lake, Arundel, Reedy Creek and Nerang). Median rents in the area have risen to $680 per week, among the highest in the country, and there is a stark contrast between the tourist town's "glitter" image and the grim reality confronting working-class residents. Mermaid Waters is the least affordable area in the country, with residents paying on average a shocking 61 percent of their income in rent.

In South Australia, three of the four areas with an RPI of 100—Smithfield, Elizabeth North, and Salisbury East—are in Adelaide's working-class northern suburbs, where rent has increased by an average of 15 percent over the past year.

The destruction of manufacturing jobs, including the closure of the Elizabeth General Motors-Holden plant in 2017, has led to high unemployment and suburbs mired in social crisis. Many of these former car workers have been unable to find alternative full-time employment with decent wages and conditions, and the destruction of jobs has created a generation of working-class youth with dim prospects.

The largest increase in rents was in Western Australia, where average prices rose 16.79 percent over the past year, placing 83.74 percent of the state in "extreme rental pain."

The Suburbtrends report highlights the multiple contributing factors to the housing affordability crisis confronting the Australian working class, which is not simply a matter of a lack of availability, but a product of the growing discrepancy between housing prices and income.

According to data from property analytics firm CoreLogic, rents across Australia surged 8.5 percent in the 12 months to May. This is almost double the nominal increase in wages, which rose just 4.1 percent in the 12 months to March.

Australia is one of only 16 OECD countries where wages have fallen compared with inflation since 2019, declining 4.8 percent in real terms. Over the same period, asking rents across the country have risen 51.2 percent.

The result of this is demonstrated by the 2024 Anglicare Australia Rental Affordability Snapshot, which confirms that rental affordability is in a particular state of crisis for those on low incomes and welfare payments. Out of the 45,115 rental listings surveyed in the Snapshot, only 289 (0.6 percent) were affordable for a person earning a full-time minimum wage. Even couples with both partners working full-time, on the minimum wage, were unable to afford almost 90 percent of rentals.

Labor governments at the federal and state level, despite phoney claims to be addressing the cost-of-living crisis, are in fact spearheading both the decline in real wages and the soaring price of housing.

The sharpest decline in real wages over recent years has been in the public sector, where (primarily Labor) governments have enforced punitive pay caps against health workers, educators and others, keeping nominal pay rises below the official rate of inflation.

Since taking office in May 2022, Anthony Albanese's federal Labor government has overseen 13 interest rate hikes by the Reserve Bank of Australia, adding hundreds or even thousands of dollars to monthly mortgage repayments, putting more pressure on the rental market.

This is not aimed at lowering inflation, but at driving up unemployment to put even further downward pressure on wages, in order to serve the profit demands of big business and the escalating military budget.

The federal Labor government claimed to be addressing the housing crisis in its budget, with Prime Minister Albanese stating that the budget would mean "less talk and more homes." Labor has established a $10 billion Housing Australia Future Fund (HAFF), which aims to build 30,000 new "affordable" homes by 2029—a single-digit percentage of the estimated shortfall.

As with similar schemes in states and territories across Australia, the primary purpose of this is not to provide high-quality housing to all those who need it, but to further increase the wealth of major property developers and remove any regulations that may threaten to impede their continued profits.

The refusal of governments to resolve the issue of housing affordability and availability is not about a lack of resources, but the pro-business, pro-war agenda of Labor and all capitalist governments and parties.