

# Australian Labor government policy drives up housing prices

Leonard Johns  
2 February 2026

Recent reports in the Australian press have exposed that the federal Labor's government's housing policies are not only failing to address the national affordability crisis, but are actually driving home prices further out of reach.

Internal Treasury documents cited last month by the *Australian* reveal that Labor knew its expansion of the First Home Buyers scheme would increase housing prices by far more than the 0.6 percent publicly stated by the government. In fact, in just the last three months of last year, the price of homes eligible for the scheme rose by 3.6 percent, compared with 2.4 percent for ineligible homes.

The scheme allows first home buyers to take out a mortgage with just a 5 percent deposit, rather than the standard 20 percent, without paying for costly Lenders Mortgage Insurance. The federal government guarantees the remaining 15 percent, insulating banks from additional risk, while allowing them to reap the rewards of writing more and larger home loans.

Labor's eligibility changes, which commenced in October, scrapped income tests, removed the limit on how many buyers could enter the scheme and significantly raised the property price caps—which vary regionally—to bring them in line with soaring median housing prices.

In 1980, the average home price in Australia's eight state and territory capital cities was \$59,000, while the average salary was \$13,500, according to Integrity Finance Australia. The median capital city house price has now skyrocketed to over \$1.1 million, a rise of almost 1,800 percent, while average annual wages have increased by just 450 percent to \$74,100.

According to the PropTrack Housing Affordability Report 2025, 43 percent of homes sold in 2020–21 were “affordable” for median-income households. Today, a typical household can afford only 15 percent of houses sold in Australia.

Since Labor's expansion of the First Home Buyers

scheme, prices of lower-cost homes, under the eligibility cap, have risen 50 percent more than those of more-expensive properties, according to data analytics firm Cotality.

In Perth, Western Australia, eligible home prices jumped 8.4 percent while ineligible homes rose 7.3 percent in that three-month period. In Sydney, the price of eligible homes rose 2.3 percent, while those priced above the \$1.5 million cap—the highest in the country—actually declined in value, albeit by just 0.1 percent.

The 3.6 percent national average increase means that a house or unit valued at \$500,000 in October—already a rarity in most of the major capitals—has since increased in price by \$1,384 a week, almost equivalent to the national median wage.

One prospective first home buyer told the *Australian Financial Review* (AFR), “It feels a little bit like a treadmill. We'll look, and we'll have an idea around, ‘all right we need to save this much money for a deposit,’ and then we'll check again six months later, and the needle's moved.”

Significantly, the percentage of homes even eligible for the First Home Buyers scheme has dropped from 51.1 percent in August to 43.8 percent in December, due to the increase in prices.

The soaring cost of housing since Labor's expansion of the scheme is not an unintended consequence. It was designed to further excite the over-stimulated property market, under conditions where the vast majority of homes are already unaffordable for working people. Its intended beneficiaries are the banks and property developers, which will be able to increase their customer base without reducing profits or taking on additional risk.

According to the *Australian*, Treasury modelling—requested only in late July 2025, after Prime Minister Anthony Albanese had already announced the policy and three months before its rollout—predicted

demand would surge more than 30 percent above existing levels in the first year alone.

Treasury reportedly advised that offsetting the surge in demand from the expanded First Home Buyers scheme would require the construction of an additional 18,560 homes in the scheme's first year and 3,524 homes annually thereafter. These targets were never remotely achievable, as the shambolic rollout of Labor's \$10 billion Housing Australia Future Fund (HAFF) makes clear.

The HAFF scheme supposedly aims to build 30,000-40,000 "social and affordable" homes over five years, nowhere near the estimated 600,000 additional affordable properties required across the country.

While the HAFF was central to Labor's campaign for the May 2022 federal election, it was only actually established in November 2023.

At the first official meeting of Housing Australia—the government body overseeing the HAFF—on November 30 2023, "The chair introduced the session by emphasising that the board were very keen to work with management to come up with a minimum viable product that could be launched on December 18, 2023, in line with the government's expectation," according to leaked board minutes cited by the AFR.

The government-appointed chair's demand that the board produce a "minimum viable product" in less than a month illustrates Labor's prioritisation of political expediency over the planning actually required to address the dire housing shortage.

Despite cautions from the then Housing Australia CEO against moving too quickly, at a board meeting in December 2023 the chair pressed for publicly calling for funding applications on 15 January 2024. Another former senior Housing Australia official told the AFR, "We definitely were not ready to launch in January 2024."

HAFF lacked adequate staffing to process the more than 26,000 applications received in the first round of development proposals in 2024 and relied extensively on consultants to handle the workload.

In addition to extending a \$1.59 million contract with consultancy firm EY in January 2025, the Housing Australia board in June raised their contract with Deloitte to \$5.3 million for "execution support"—more than half of HAFF's \$8.3 million administrative budget for the 2026 financial year.

Amid the government-led deadline squeeze, Housing Australia lost 26 percent of its staff over the 12 months to August 2025. The Housing Australia chair, six of the top

eight executives and "other less senior staff" left between June 2023 and October 2025 according to the AFR.

The leaked minutes showed that while the government had reported that 279 HAFF projects had reached "contractual close" by the end of June, fewer than one-tenth—representing just 3,315 homes—were ready to be funded by the end of October, let alone built.

Housing Australia's most-recent figures show that two years after the HAFF's establishment, just 889 homes have been "completed" and only 9,501 are "under construction."

The fraudulent character of Labor's claim to be addressing the housing crisis is further exposed by the fact that while the federal Labor government celebrates the construction of homes at the pathetic rate of a few hundred a year, state Labor governments are destroying public housing at a far more rapid pace.

The Victorian state Labor government is in the process of demolishing 44 public housing towers in Melbourne, which will displace some 10,000 poor and working-class residents, many of them elderly, from their homes and communities. The transparent purpose is to free up valuable inner-city land for property developers. The New South Wales Labor government has begun the eviction of more than 3,000 people from the Waterloo South housing estates in Sydney, with the same agenda.

The housing crisis is one of the starkest expressions of the reality of capitalism. While masses of people cannot afford a decent home or are driven into poverty by surging rents and mortgages, the profits of the banks and property developers soar.

The alternative is a fight for socialism. The working class must take political power and reorganise society to meet its needs. The banks and the corporations should be placed under public ownership and democratic workers' control, to make society's vast resources, currently monopolised by the wealthy elite, available to fund social necessities. To address the housing shortage, a massive public works program must be undertaken to build high-quality housing, with decent wages and conditions for workers.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**