

Australian housing crisis: Unaffordability at record levels

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The Australian housing market is now ranked among the least affordable in the developed world, with the majority of the population facing extreme challenges in securing housing.

According to Cotality, an independent property and analytics data platform, “Australia’s housing affordability reached new lows by the end of 2025.” Over the past five years, key metrics such as the price-to-income ratio, the time required to save a deposit, and the proportion of income needed to rent have all hit record highs, making both buying and renting unsustainable for many Australians.

It states that home values “have surged by roughly 47.3 percent since March 2020, adding about \$280,000 to the median dwelling value.” Even as mortgage rates have occasionally dipped, the cost of servicing a new loan remains unsustainably high—at 45 percent of household income. Anything above 30 percent is considered “housing stress,” and with interest rates rising as of February 2026, the pressure on households will intensify.

Despite media and government claims, policies enacted by both Coalition and Labor governments have failed to alleviate the burden of soaring house prices and crippling mortgages. Instead, they have exacerbated the crisis. The Albanese Labor government’s expansion of the “first home buyer” schemes in October 2025, particularly the 5 percent deposit guarantee, have not provided relief for workers and young people. Rather, these policies have increased demand, inflated prices, and further enriched banks, developers, and existing property owners, making Australia’s housing market one of the most unaffordable globally.

The first home buyer scheme launched by the Morrison Coalition government in 2020 has been broadened by Labor since 2022. Rather than opening a path to homeownership, these measures have rendered it unattainable for many young Australians, including professionals. Many are forced to return to their parents’ homes or endure permanent rental stress.

Under the First Home Guarantee and related schemes, buyers can purchase a property with a deposit as low as five

percent, with the government guaranteeing up to 15 percent of the property’s value. Banks treat these loans as if the borrower had a 20 percent deposit, waiving lenders’ mortgage insurance. Therefore, the reality is that the government does not provide housing; it underwrites bank lending, socialising risk for the financial sector while individuals are pushed into massive, decades-long debt.

From last year, the guarantee became a demand-driven program with no cap on the number of places, meaning any eligible buyer who can scrape together a 5 percent deposit can access it. The government is essentially backing an ever-growing volume of highly leveraged mortgages, tying the living standards of millions to the continuous inflation of property values.

As economist and *Guardian* journalist, Greg Jericho notes, the 5 percent scheme acts as a de facto grant, adding substantial purchasing power without increasing underlying income. Buyers must borrow more, taking on larger mortgages and using this debt-driven power to bid up prices. In a market with chronically limited supply, increased demand only drives prices higher, a fact repeatedly highlighted by economists and housing advocates.

The inflationary impact of the scheme is so pronounced that even the International Monetary Fund (IMF) has called for its withdrawal, arguing it drives property prices up, confirming that Labor’s “affordability” policy is a state-sponsored mechanism for fuelling a speculative housing boom.

Two decades of “first home buyer” grants in Australia show a consistent pattern: each round briefly boosts first home buyer activity but quickly translates into higher prices, delivering windfall gains to existing owners and developers.

According to Demographia International Housing Affordability, Australia is a “Severely Unaffordable” market. The “Affordability” range is a set of categories used by Demographia to compare affordability across markets. It is a widely used measure determined by a figure known as the “median multiple,” calculated by dividing the median house price by the median pre-tax household income. A

multiple of three or less represents an “Affordable” housing market. “Severely Unaffordable” is a median multiple of 5.1–8.9. The median multiple for Australia in September 2025 was 8.2.

Sydney: A Case Study in Manufactured Misery

While Australia has the highest unaffordability rating in the OECD, Sydney, its largest city, is the second most expensive housing market globally, with median house prices now at \$1.75 million—13.8 times the median household income. The only city with a greater unaffordability is Hong Kong with 14.4 median multiple. Sydney’s affordability score is in the “impossibly unaffordable” range. Sydney’s median dwelling price has been “severely unaffordable” for over a decade, highlighting chronic unaffordability across Australia.

Housing prices and therefore rents have risen to staggering levels. A large share of Sydney renters pay more than 30 percent of their income on housing, experiencing rental stress. Cotality estimates that servicing new housing loans in Sydney now require 68 percent of pre-tax household income.

This crisis has forced many to abandon plans to live and raise families in Sydney, resulting in a significant net loss of internal population. Without overseas migration, Sydney’s population would be stagnating or declining, with young families pushed out, and warnings that it risks becoming a “city with no grandchildren.”

Contrary to government assertions, ordinary Australians are not the beneficiaries of these housing schemes. Instead, the financial and property elite, led by banks, reap the rewards. The “Big Four” banks—Commonwealth, Westpac, NAB, and ANZ—profit from a steady stream of highly leveraged, government-guaranteed mortgages, with limited exposure if the market falters. Together, they hold over 72 percent of the country’s banking assets and account for more than 90 percent of lending by financial institutions.

An Australia Institute study estimates the big four banks extract around \$200,000 in profit from a typical 30-year owner-occupier loan. Owner-occupied mortgages account for about 40 percent of their profit, despite comprising only a quarter of their business by volume.

Meanwhile, young workers must bid against one another with borrowed money, competing with investors who benefit from tax concessions and negative gearing—which allows a property investor to run a loss on the rental property, use that loss to reduce their income tax now and hope rising house prices more than make up the difference later. The government’s role is to organise and guarantee this speculative wealth, imposing the costs on ordinary Australians.

Data from the Parliamentary Budget Office (PBO) highlighted how unequal the benefits from these tax

measures are. The PBO estimates that in this current financial year, the tax discount will cost \$21.8bn in revenue forgone. The richest 1 percent will get 59 percent or \$12.9bn of it.

The housing crisis is not the result of well-intentioned policy gone awry, but the direct outcome of a system where land and shelter are treated as commodities. Governments have systematically reduced public and social housing, while pouring resources into subsidies and tax privileges for private property.

Urban planning is dictated by developers who profit from land-release controls and “urban containment,” driving up land values. By refusing to build mass public housing and relying instead on private markets supplemented by grants and guarantees, successive governments have ensured that the basic human need for shelter is exploited for speculative gain.

The housing crisis is the central element in the greatest decline in living standards in 70 years. According to Jericho, since 2000, housing prices have risen twice as fast as household incomes. In addition, rising unemployment and the increase in inflation to 3.8 percent, reflecting rising health, child care and travel costs, place a financial burden on the working class that is increasingly intolerable.

The cry of governments that “We have no funds, the budgets must be cut” is a lie. There is plenty of money. The truth is that it is being used to spend billions of dollars of government funds on militarism and war. Nothing is spared for AUKUS, for the development of nuclear-powered submarines and weaponry.

A genuine solution would not involve gimmicks to “help” first home buyers, but a fundamental challenge to the mechanisms that enrich a minority at the expense of many. This would entail reorganising housing as a social right, rather than a vehicle for private profit—in other words as part of refashioning society along socialist lines.



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