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Home truths: The housing crisis in Australia

Our homes offer shelter, a refuge from the world and a financial asset. Indeed access to safe and secure housing is a human right. However in light of soaring housing prices and the cramped and competitive Australian housing market, home ownership is becoming a struggle, housing stress is on the rise, and the amount and quality of social housing available for vulnerable Australians is undermined.

Crisis? What crisis?

Recently during Parliament question Prime Minister John Howard stated that there is no housing crisis in Australia. He said:

A true housing crisis in this country is when there is a sustained fall in the value of our homes and in house prices, and for the Leader of the Opposition to use careless language is only aggravating, rather than helping, the situation.¹

But Census data reveals what many Australians already suspect: that we are taking longer and having more difficulty paying off our mortgages. In 1996, 41 per cent of Australians fully owned their homes, however ten years later only 33 percent are in this position.² Housing prices are rising, too. The median price of a metropolitan Australian home is 6.2 times the average Australian income, a 2006 housing survey conducted by the American-based research organization *Demographia* has found. This ratio makes Australian housing 'severely unaffordable' according to their research, which discovered Sydney to be the seventh most expensive city in the Developed world.³ Lack of available

and affordable housing is forcing many Australians into the tight private rental market in which national vacancy rates are currently below 2 per cent.⁴ And this has consequences.

Housing stress and financial strain

The expense of Australian housing has led many people to suffer from 'housing stress'; a condition in which individuals spend thirty percent or more of their income on rent or mortgage. Housing stress is most common among renters and first-home buyers, and most severe among the bottom forty percent of income earners. It is, however, a growing problem, and research indicates that by 2020 one million Australians will be suffering from housing stress.⁵

Home-owners are also becoming increasingly vulnerable to debt. In recent years banks and financial lenders have encouraged people to use the (anticipated) appreciation in value of their houses as collateral for an unaffordable loan. Large parts of our housing system have become credit-based, and even a relatively brief period of rising mortgage payments, escalating debt and falling house prices could collapse the system.

Unaffordable housing: how did it happen?

Economists offer a number of explanations for why the cost of



Australian housing has risen so dramatically in the last few decades. Contributing factors are thought to be the increase in interest rates, changes in demographic patterns, a rise in the number of single person homes, higher migration, as well as home-buyers demanding bigger houses. It is also believed that the low inflation rates in the 90s and early 2000s created a 'housing boom' which saw existing home owners upgrading to bigger and better houses, rather than more houses being built or first-home buyers entering the market⁶. As most Australians aspire to own a house in a prime location such as near the water or close to the city, we are essentially jostling for the same small number of houses. Demand is outstripping supply, and thus the cost of housing is on the rise.⁷

Prices have soared in the rental market mostly as a result of limited supply: the inner suburbs of metropolitan

centres have historically contained an abundance of rental properties, however the rapid 'gentrification' of these areas is seeing them being converted into privately-owned dwellings.⁸ Further, private investors are reluctant to rent out properties, with many being lured into the share market or attracted by incentives to invest in superannuation.⁹

"Social" Housing

Home ownership will never be an option available for all Australians. Since the signing of the Housing Agreement in 1945, Commonwealth and State governments have sought to provide safe accommodation for low-income earners in the form of public, community and Aboriginal housing (called "social housing"). Since the Hawke Labor government, policies have shifted away from providing actual dwellings to subsidizing the cost of private rent. Waiting lists for existing social housing are substantial, with over 40,000 people currently waiting for public housing in New South Wales.¹⁰ Although the amount of people on public housing waiting lists has decreased by 12 per cent over the past six years, this is not the result of more public houses being put onto the market but the tightening of eligibility criteria and reviewing the status of previous applications.¹¹

The high cost of rent combined with the scarcity of social housing is forcing many low-income earners into homelessness. The number of homeless people under the age of twenty-five has doubled in the last two decades¹³, and St Vincent de Paul believes that nearly half of people using homeless services across Australia are working families unable to pay rent.¹⁴

Indigenous Housing

All Australians are affected by the housing crisis, but the impact is most

On a recent visit to Australia, the United Nations Special Rapporteur for Housing announced that Australia's social housing stock is aged and inadequate, and that the long waiting period – which can be up to ten years – is unacceptable.¹²

keenly felt within rural Indigenous communities. Rates of home ownership are low (recent Census data reveals that only 11 per cent of the Indigenous population owns their own home, compared to 33 per cent of the broader population¹⁵) and there is an acute shortage of available housing for Indigenous citizens. The Australian Bureau of Statistics reported that in 2001, nearly one-third of permanent Indigenous dwellings were in need of major repair or replacement.¹⁶ As many as 15 per cent of rural Indigenous homes are over-crowded¹⁷; a considerable amount are without sufficient water supplies, washing facilities or sewage infrastructure, and many families cannot afford electricity. These inadequate living conditions facilitate the spread of infectious and parasitic diseases¹⁸, and generate the social stress which is an aggravating factor in the high rates of self-reported

The state of housing and civic services available to Indigenous Australians was recently declared a "humanitarian tragedy" by the United Nations Special Rapporteur for Housing.²⁰

mental and physical illness, as well as domestic violence, within the Indigenous population¹⁹.

Impact of Australia's housing crisis

There is both an economic cost and a social cost associated with Australia's housing crisis.²¹ Many workers are migrating away from major cities to areas where housing and a decent lifestyle are more attainable, leading to labor shortages in some locations. In addition, as it is often low-to-medium income earners who work casual shifts, they have less incentive to travel long distances for short shifts which can make the labor market less flexible.²²

As housing becomes unaffordable, low-income earners have little choice in their residential location and are pushed from urban centers to the outer suburbs, where there is often little or no public transport. They must travel longer to and from work, making a healthy work-life balance a real challenge. Cities become spatially polarized, with 'wealthy' and 'poor' residents living in separate areas, leading to social stigma and exclusion, and an increasing socio-economic division between metropolitan cities and the country.²³

Housing into the future

The state of housing says a lot about the state of a country: housing conditions reflect public resource distribution, social equity and the quality of citizens' life. Among the Australian community there is a strong belief that government policies do and should matter. The current political climate suggests that individuals feel governments can contribute more equitable solutions to our macro-economic problems, and promoting access to housing for all Australians should now, more than ever, be a priority for any elected government.

Full references on the ERC website. Thanks to Tony Russell for assistance with this edition.



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