Housing and inequality in Australia

Introduction

In Australia, like many other advanced economies, housing has become a pivotal feature of wealth creation and central contributor to and accentuator of inequality (Adkins et al., 2021; Christophers, 2021; Jacobs, 2019; Piketty, 2017). This paper argues and demonstrates that for many Australian households their housing tenure has become a key determinant of their wealth and disposable income and capacity to lead a decent life. Further, I argue that the role that housing is playing in Australia in reproducing and deepening inequality is premised on neoliberalism and the financialisation of housing. The related policies in place have contributed fundamentally to the following: the view that home ownership is sacrosanct, the neglect of social housing, the profound encouragement of investment in residential property and limited protection for private tenants. Further, there is little effort to counter massive increases in house prices thereby accentuating the gap between homeowners, more especially outright homeowners and renters.

Historically Australia has been a home owning society; home ownership increased from 53% in 1947 to 73% in 1966 (Burke et al., 2020) and in the early 1990s Australia had the highest rate of home ownership in the OECD among older households (Castles, 1997). In the early 2000s, 90% of middle-aged and older Australian would have been homeowners at some stage (Berry, 2010). The high rate of home ownership and the capacity of low-income households to access this tenure, saw Australia labelled as a ‘property-owning democracy’ (Kemeny, 1978). However, from the mid-1980s there has been a slow decline in home ownership rates. Thus in 1986, 70% of households were homeowners, in 2011 68% were, and in 2021, 66% were (ABS, 2022a; Burke et al., 2020). A key feature of the property owning democracy is still in place at present – a very high proportion (around 80%) of the 65 plus cohort are homeowners and most own their home outright (Ong ViforJ, 2022). The very significant change with respect to home ownership has been the dramatic drop in the proportion of outright homeowners; in 2021 only 31% of homes were owned outright whereas in 1996, 43% were (Bourke et al., 2020; Ong ViforJ, 2022). The profound drop in home ownership among younger cohorts is an additional dramatic shift and is discussed in further detail below.

Another significant change has been the increase in the proportion of households (around one in four households) that are dependent on the private rental sector (PRS) for their accommodation (ABS, 2022a; Pawson et al., 2020). Historically, the PRS for the vast majority of tenants was a transitional sector, however, a substantial proportion, at least a third, are now long-term (ten years or more) or even life-long renters (Stone et al., 2013). The emphasis on home ownership has contributed to private renting being viewed as a secondary tenure (Castles, 1997). Regulation is light and tenants are afforded minimal protection from excessive rent increases (Author et al., 2021). The increase in private renter households has been accompanied by a slump in the proportion of households that are social housing tenants – down from around 6% in the mid-1990s to around 4% in 2021 (ABS, 2022a).

Those households that own their own home outright, especially those residing in the capital cities, are invariably in a good position wealth-wise and also often with respect to their disposable income due to low housing costs. In addition to the wealth embodied in their own homes, a substantial proportion of these outright homeowners also own one or more investment properties and or a holiday home.[i] At the end of 2018, 16% of Australian taxpayers, just over two million people, owned at least one investment property (Yardney, 2018). The 2021 Census established that on Census night, 1,043,766 of the 10,852,208 private dwelling in Australia, just under 10%, were unoccupied. It would appear that many of these homes are holiday homes or Airbnb type properties. A proportion would have been unoccupied because the occupants were away for whatever reason.

The wealth and income divide based on housing tenure is especially apparent when comparing outright homeowners to low-income households (bottom 40% of income earners) who have a sizeable mortgage or are dependent on the private rental sector for their accommodation. A large proportion of low-income homeowners are in mortgage stress, i.e. their mortgage accounts for more than 30% of their household income, and any increase in interest rates is a major concern (Wright & Clun, 2022). With respect to the approximately one million low-income private renter households, it has been estimated that two thirds are in rental stress[ii] – they are using more than 30% of their household income to pay for their accommodation (Productivity Commission, 2019).

Trophy homes have become a key marker of extreme wealth. Individuals who have made spectacular amounts of money historically or over the last few years, have used their wealth to purchase homes for vast amounts. The co-founders of Atlassian, Australia's most successful tech company, bought homes next door to each other in Point Piper, Sydney and Australia's most expensive suburb, for $71[iii] million and just under $100 million respectively. The latter is Australia's most expensive home. Despite the Covid-19 pandemic, 2021 was the best year ever for prestige purchases with 45 homes in Sydney fetching more than $20 million. The top 20 home sales in Sydney in 2021 totalled a record high of just under $700 million. James Packer, a scion of long-established extreme wealth, bought a two story apartment in his company's development for $72 million, the most expensive purchase of 2021 (Macken, 2021).

This article first outlines the neoliberal and financialisaton framework with respect to housing. Next the absurdly high residential property prices in contemporary Australia and the implications thereof are discussed. This is followed by a discussion of the private rental sector and the encouragement of housing as a major site for investment. The decline of social housing is then reviewed. The article concludes with a discussion of homelessness.

Neoliberalism and the financialisation of housing

A key feature of neoliberalism is the expectation that as far as possible individuals should fend for themselves and government should minimise its involvement. Individuals and households that are independent of the state are venerated, whilst those reliant on government benefits are viewed as deficient. As Wendy Brown (2017: 694) argues,

> … neoliberalism entails a host of policies that figure and produce citizens as individual entrepreneurs and consumers whose moral authority is measured by their capacity for "self-care"—their ability to provide for their own needs and service their own ambitions …

The focus on self-care and governance according to market criteria has resulted in an ongoing attack on the welfare state and has major implications for housing policy. It suggests that individuals and households are expected to make their own way in the housing market and if they do not succeed, it is due to their own shortcomings (Jacobs, 2019). The provision of housing by government (social housing) is neglected and existing stock sold off as it does not fit into the political rationality of neoliberalism. Instead home ownership is presented and increasingly viewed as the only desirable tenure to aspire to: 'The different commodified forms of housing – and owner-occupation in particular – become naturalized and normalized while non- and partially commodified forms are othered and denormalized …' (Aalbers and Christopher, 2014: 386).

A primary outcome of this neoliberal worldview and related policy framework, is that an increasing proportion of low-income individuals/ households are not able to access adequate, secure and affordable housing (Jacobs, 2019; Rolnik, 2013). The reverence for home ownership goes hand in hand with the financialisation of housing (Morris, 2018). The housing sector has become a vital part of finance capital and in many countries residential mortgage markets now account for a considerable part of the gross domestic product (Aalbers, 2016; Rolnik, 2013). Home ownership is presented and viewed not only as essential shelter, but as a prime site for investment and source of accumulation. Madden and Marcuse (2016: 4, italics in original) conclude,

> Housing is under attack today … Most immediately, there is a conflict between housing as lived, social space and housing as an instrument for profitmaking-a conflict between housing *as home* and *as real estate.*

Although uneven in its extent, the financialisation and commodification of housing has been explicitly encouraged by many governments globally (Stellinga, 2022). Besides limiting the building of social housing and selling it off (Forrest & Murie, 1988), home ownership is avidly encouraged by various government policies and the loosening of credit (Ronald, 2008). Homeowners are encouraged to view their homes not only as a place to live, but as an investment (Adkins et al., 2021). The lack of meaningful regulation means that individuals are able to access home ownership with questionable credit capacity and that demand and housing policy encourage constant increases in house prices (Adkins et al., 2021).

In Australia, the financialisation of housing has become a major feature over the last three decades, seriously denting the Australian dream of near universal home ownership in retirement and the accordant capacity to lead a decent life in older age (Colic-Peisker et al., 2015; Author, 2016). Although a very substantial proportion of older Australians own their own home outright, for a substantial fraction of younger households home ownership is no longer attainable. Alternatively, they may purchase a home, but face the prospect of never paying off the mortgage prior to retirement. The proportion of 55 to 64 year-olds that own their own home outright dropped from 70% in 1990 to 47% in 2015. In 1990, 12% of this age group had a mortgage, but only 2% had average debt or high debt, whereas in 2015, 31% of 55 to 64 year-olds had a mortgage and 17% had an average or high debt (Ong, 2019). The proportion of 55 to 64 year-old renters increased from 18% to 22% (Ong, 2019).

The commodification of housing in Australia (and elsewhere) is encouraged through extremely generous tax benefits to investors in residential property (Adkins et al., 2021; Christophers, 2021). The policies in place that encourage investment in residential property can be viewed as ‘reverse welfarism’ (Jacobs, 2019). Almost all of these property investors would be institutions or existing homeowners (in Australia most residential property investors are households rather than corporations) thereby further amplifying the divide between homeowners / landlords and renters. Besides the tax benefits accruing to property investors, the rights of tenants are minimised so as to ensure landlords hold the balance of power and have a dependable rental income (Christophers, 2021).

High property prices in Australia despite the Covid-19 pandemic and its implications for inequality and poverty

In many advanced economies the policies put in place to counter the economic impacts of the pandemic and protect the price of assets encouraged a surge in house prices (Adkins et al., 2022). In Australia, the low interest rates[iv], favourable tax regime for residential property investors, government policies that encouraged higher house prices, and a high level of savings by a proportion of the population due to the forestalling of spending in the context of the pandemic, created fertile ground for this to occur. Prior to the epidemic a neoliberal housing policy characterised by a minimal effort[v] to regulate house prices and every effort to stimulate them, has ensured that residential property price increases have constantly outpaced wage and CPI increases. In the three decades prior to 2020, house prices trebled, while real earnings increased by only 50% (Pawson et al., 2020a). In the year to September 2021, wages increased by 2.2% (ABS, 2021a) whereas the weighted average increase in house prices across the eight capital cities was 21.7% in the 12 months to September 2021 (ABS, 2021b). In the low interest context precipitated by the Covid-19 epidemic, the policies already in place were guaranteed to ensure a massive surge in house prices. A key mechanism used to stimulate home ownership and house prices has been the First home buyer (FHB) assistance programs first introduced in 2000. A recent study of the FHB program concluded that in the decade to 2021, $20.5 billion has been expended by federal and state governments on it. The study's key conclusion is that FHB measures rarely benefit low-income households and increase rather than stabilise house prices: The measures 'primarily act to bring forward first home purchase for households already close to doing so rather than opening home ownership access to households otherwise excluded [and] [i]n doing so … add to demand and hence to house prices' (Pawson et al., 2022: 2). Of course the increase in house prices benefits existing homeowners.

Despite being implored by the community housing sector, welfare bodies and economists to use the building of social housing to counter the economic contraction brought about by the Covid-19 pandemic, the right of centre federal government in power at the time refused to budge and no extra funding was allocated (Martin, 2020). Instead, in line with its neoliberal emphasis on home ownership, the government again favoured existing homeowners and put in place a policy called HomeBuilder. The program involved allocating cash grants of up to $25,000 to homeowners who wanted to embark on extensive renovations of their home or build a new home. The latter had a $750,000 price cap. The renovation had to cost $150,000 or more. The program succeeded in increasing inequality by enhancing the value of homes and helping already comfortable homeowners become more comfortable (Hanmer, 2020). The value and number of HomeBuilder grants far exceeded Treasury's initial forecast that 27,000 grants would be allocated and the program would cost $678.3 million. By mid-2022 (the program closed in April 2021), there had been a total of 100,214 successful grant recipients and the program had cost $2.3 billion (KPMG, 2022).

Nationwide, at the end of 2021, one in every four homes in Australia was worth more than $1 million (Duke, 2021). Sydney, Australia's most expensive and populous city, led the way. In November 2021, it was reported that 52% of homes in Sydney were worth more than a million dollars and 16% more than $2 million (Duke, 2021). In 2021, owners of a median priced home in Sydney, Australia's most populous city, gained almost $340,00 in net worth. This was three times more than the median annual income of $113,620 for families in New South Wales (NSW) in 2021 (ABS, 2022b). The total value of the approximately 10.72 million dwellings in Australia rose $863.7 billion to $9,259.2 billion in the 12 months to September 2021 (ABS, 2022c).

Inequality in capacity to access home ownership

The constant increase in residential property prices has resulted in a proportion of the population being locked out of home ownership for a considerable period or even permanently. A major hurdle for entering the market is gathering the funds for a deposit, generally 20% of the purchase price. In Sydney, at the beginning of 2022, 20% of the median price would be around $320,000. In May 2022 the average weekly earnings for full-time workers was $1,770 a week (ABS, 2022d). Despite avid attempts by government to promote home ownership[1], the high cost of housing has led, as shown, to home ownership declining.

The decline has been particularly dramatic for younger age cohorts. Thus whereas 57% of 25 to 34 years-old were homeowners in 1971, in 2021, 43% were. The 35 to 44 years-old age cohort displayed a similar drop. In 1971, 71.4% of this age cohort were homeowners, in 2021, 61.3% % were. The 45 to 54 year-old cohort has had a similar decline – from 76% in 1976 to 70% in 2021 (Ong, 2022). Although the decline in home ownership in the 55 to 64 year-old grouping has bene modest, from 79% in 1971 to 76% in 2021, the drop in the proportion of **outright** homeowners in this age cohort, only 40% in 2021, is particularly concerning as is the rise in the proportion of private renters in this age cohort (Clun, 2022; Hall & Thomas, 2017). Historically, the income adequacy of the government Age Pension[vi] has been dependent on retirees being outright homeowners and thus having low housing costs. Yates and Bradbury (2010, p. 194) conclude '… older households who miss out on home ownership are multiply disadvantaged in that they also have lower non-housing wealth, lower disposable incomes and higher housing costs in retirement'.

Modelling by the Greens Party in 2021 established that a couple on a median wage will take 11 years to save a 20% deposit for a median priced home in Sydney. This is premised on there being no growth in the property market during this period and the couple savings 15% of their gross annual income. A report by property analyst company, Domain, concluded that a couple on an average income would need to save for eight years and one month for a 20% deposit on a Sydney home worth $900,000. The calculation is premised on a 25 to 34 year-old couple saving 20% of their post-tax income every month (in Burke & Redman, 2022). The National Housing Finance and Investment Corporation (NHFIC), a federal government entity, concluded that for first time buyers in mid-2021 in Sydney, three in four properties were only available to the top 20% of earners and in Melbourne, only half were (NHFIC, 2021). For first time home buyers in Sydney and Hobart (Hobart is the capital of Australia's smallest state, Tasmania) less than 10% of the housing stock was affordable for the bottom 60% of income earners.

Increasingly the only way younger people can acquire the funds for a deposit is through family assistance. Drawing on the Household Income and Labour Dynamics in Australia (HILDA) longitudinal dataset, Barratt et al. (2015: 1) conclude that intergenerational transfers double 'the chances of recipients transitioning into home ownership' and appear to increase wealth inequality. Whilst high income families are able to assist their children, low-income families find it very difficult to make a meaningful contribution. Low-income households who are renters will almost certainly find it impossible to make a meaningful financial contribution (Barratt et al., 2015). A more recent study also drawing on HILDA data found that in middle-class areas in-kind transfers from parents to their children, for example living free rent in the parental home, increases the chances of the latter entering home ownership significantly:

> … the receipt of parental transfers appears to be most effective in aiding transitions into home ownership in middle-class neighbourhoods ... The odds are 3.4 times the odds experienced by those who do not receive parental transfers (Ong ViforJ et al., 2022).

The assistant governor of the Reserve Bank of Australia (RBA) commented that people whose parents are renters 'are going to be in a much more difficult situation to get into housing themselves' (in Redman, 2021). Another study found that parents were the nineth biggest lenders in the country and that close to 60% of first-time buyers received financial assistance from family. The average loan was almost $100,000 (Collett, 2022a).

An increasing proportion of younger Australians have concluded that they are unlikely to be able to access home ownership. A study on the housing aspirations of young Australians found that the educational level of household members and income were key factors shaping perceptions as to the possibility of accessing home ownership.

> By the stage of early adulthood the aspiration for owner-occupation increases to 70%, but the income and education divide is now starker. Nearly two-thirds (61%) of those with a tertiary educated member in their household believed it to be possible to purchase within five years, compared with just over a third of those with an education to year 12 or below (36%) and less than a quarter (23%) of those with an education to year 11 or below (Parkinson et al., 2019).

Housing tenure and inequality in housing costs and disposable income

A household's housing tenure makes a major contribution to inequality not only wealth-wise but also with respect to disposable income. Outright owners in 2017-18 spent on average less than 5% of their income on housing, whereas owners with a mortgage spent around 16%, social housing tenants 25% and private renters 20% (AIHW, 2022a). Of course the proportion of income used to pay for accommodation is dependent on a household's income and the size of their mortgage or rent. Low-income (bottom 40% of households) private renters are in a particularly difficult position. The Productivity Commission, a government funded research body, concluded that in 2018, two thirds of the approximately million low-income private renting households (about 12% of all Australian households) were suffering from housing stress, i.e. they were using more than 30% of their income to pay for their accommodation (Productivity Commission, 2019). Table 1 illustrates that single person low-income households are especially vulnerable. The Productivity Commission concluded that a low-income private renter living by themselves would, on average, be using 44.4% of their income for rent, five times more than an outright owner.

Table 1: Here

High mortgages, mortgage stress and inequality

Besides the difficulty of raising the deposit, many purchasers have been forced to take on record mortgages. One estimate is that the dwelling price to income ratio in 2021 was 7.2, up from 5.8 in at the beginning of 2020 (Wright, 2021). Since June 2020, the average mortgage in NSW increased by 27% to around $780,000 and in Victoria it increased by 20% to $640,000 (Wright, 2022). The 2021 Census found that in Sydney the proportion of mortgage holders suffering from mortgage stress had more than doubled since the last Census in 2016, despite a sustained period of record low interest rates. Whereas in 2016, one in 12 mortgage holders were in mortgage stress, i.e. having to use more than 30% of their income to service the mortgage, in 2021 one in five were (Wade, 2022). In March 2022, prior to interest rates being increased in May 2022, about 75% of 'young growing families', many of whom were first time home buyers, were in mortgage stress (Collett, 2022b).

During the course of 2022, the interest rate increased from a record low 0.1% to 2.85% in November 2022. The interest rate increases have had a significant impact on thousands of low-income borrowers. A survey of 1005 people found that nationwide one in four homeowners were suffering from mortgage stress post the increase in the interest rate to 0.85% in June 2022 (in Thai, 2022). The expectation is that the rate will be increased to 3.5% by mid-2023. An increase to 3.5% is expected to have a considerable impact on low-income households. The deputy governor of the RBA estimated that the increase will result in about 30% of borrowers facing an increase of more than 40% on their repayments (in Wright & Clun, 2022).

The private rental sector and inequality

The private rental sector is Australia’s fastest growing housing tenure (Author et al., 2021). In 1990 about 20% of households were private renters and in 2021, 27% were (2.4 million households). It is highly differentiated and unequal tenure. High earning private renters are usually able to rent in a location of their choice and afford comfortable surroundings (Author et al., 2021). For almost all of this group their private rental status is a temporary or a chosen phenomenon. Their financial situation usually means that anxiety around affordability, insecurity and the limited rights of renters in Australia is limited (see Author, 2017). Over a period of time most will accumulate enough capital to purchase a property and a few will continue to rent as a lifestyle choice.

Although rates of private renting have increased for all income groups, the most substantial growth has been among low-income households; just under half of private renters are low-income households (Productivity Commission, 2019). For low-income households renting long-term is rarely a choice; they simply cannot afford home ownership and cannot access social housing (Author et al., 2021) For many low-income private renters, rental stress and insecurity is a constant feature of their lives. When asked to vacate, finding alternative affordable accommodation can be an enormous challenge and evoke enormous stress (Author et al., 2021). Hulse et al. (2019), drawing on the 2016 Census, calculated that for the bottom 20% of households, there was a shortage of 212,000 dwellings and this increased to 305,000 due to many affordable dwellings being occupied by higher income households. In the case of Q2 households (second lowest income quintile) there was a shortage of 173,000 affordable dwellings due to the affordable dwellings being occupied by higher income households (Hulse et al., 2019). One estimate is that in the decade to 2016, the national shortfall of affordable rental properties for low-income tenants increased by 54% (Pawson et al., 2020a).

The Productivity Commission (2019, p. 61) concluded that, ‘For many low-income households [in private rental], affordability is extremely poor and the consequent financial pressures are likely to compound pre-existing stresses’. Private renters who are reliant on government benefits for their income are in a particularly vulnerable position. Every year Anglicare Australia, a non-profit organisation, does a snap survey of rental listings across Australia on one weekend to assess affordability for low-income households. The latest report concluded that not one of the 45,992 rental properties listed nation-wide on the 19 March 2022, was affordable for a single person on JobSeeker (the name of the unemployment benefit)– i.e. they would be using less than 30% of their income to pay the rent.. For a single person on the Disability Support Pension, 0.1% were affordable, and for a retiree reliant on the government Age Pension living by themselves, 0.3% were. The situation for couples was not much better. Only 1.4% of properties listed were affordable for couples on the government Age Pension. The situation was only slightly better for low-income workers. Thus only 1.3% of properties were affordable for a single person working and earning the minimum wage, For a couple with two children, one under 10 and one under five, with one partner working and earning the minimum wage, only 3.7% of properties were affordable (Bourke & Foo, 2022).

Private renters are subject to a lightly regulated private rental sector that bolsters insecurity. The financialisation of housing has ensured that tenants have little power with respect to their tenancy. Once their lease ends, rents can be increased beyond the CPI and tenants can be asked to vacate for a range of reasons. In NSW no grounds evictions apply, i.e. tenants can be asked to vacate and no reasons have to be given. The only requirement is that the tenant be given 90 days written notice.

Historically, many low-income private renters moved to regional areas where rents were much lower than rents in the capital cities. However, rental affordability in regional areas plummeted during the Covid-19 pandemic due to people moving from the cities to regional areas. This is elaborated on below.

The move from capital cities to regional areas intensifies rental stress

The Covid-19 pandemic has had a dramatic impact on house prices and rents in regional Australia. In many regional areas house prices increased by over 30% in 2021, as did rents. The spike in house prices and rents was primarily due to people in capital cities, most notably Sydney and Melbourne, being able to work from home during the Covid-19 pandemic and deciding that this meant that could relocate to a regional area. For many renters in the regional areas affected, the impact of this migration has been catastrophic. In at least 20 areas in NSW, rents rose by between 25% and 53% in the year to May 2022. For example in two areas in the Tweed Valley, 800 kilometres north of Sydney in far Northern NSW, rents rose by 52.9% in the one area and 47.7% in the other (McIntyre, 2022). In Byron Bay, 770 kilometres from Sydney, in the year to May 2021, rents for apartments increased by 33% and houses by 66% (Sullivan, 2021). The acting Mayor of Byron Bay estimated that on average, renters were having to use 50% of their income to cover their rent. The major community housing provider in the area had a waiting list of 3,200 applicants in 2021 and applicants would have to wait at least five to ten years to access social housing (Sullivan, 2021).

The human cost of the rent increases are a concern. Health workers have reported a major increase in mental health problems related to the housing crisis. The light regulation of the private rental sector has meant that thousands of tenants in regional areas have been forced out of their accommodation by their landlord giving them notice to vacate or imposing an unaffordable rent increase. Renters who have had to leave their accommodation were finding it exceptionally difficult to find alternative accommodation and a proportion had been rendered homeless (Razaghi, 2022).

Investors in residential property and the intensification of inequality

A key contributor to the intensification of inequality in Australia and a fundamental aspect of the financialisation of housing, is investment in residential property. In 2016 it was estimated that 'investors own 27% of Australian dwelling stock by number and 24% by value' (CoreLogic, 2016: 4). Just under one in three investors own more than one investment property and 10% own three or more (Yardney, 2018). In Sydney around half of all apartments are owned by investors.

The propensity to invest in residential property is strongly encouraged by the federal government's tax regime. The key tax concessions are 'negative gearing' and a generous capital gains tax. Negative gearing refers to the capacity of investors to 'deduct their loss [on the investment property] against other income, such as salary and wages'(Australian Government, 2021). 'Losses' can refer to 'interest expenses', money spent on maintenance, etcetera. In 2012-13 of the 1.9 million people that earned rental income, 1.3 million reported a net rental loss (Australian Government, 2021). In 2013-14, investors claimed $3.7 billion in net rental losses. Capital gains tax refers to the tax incurred on the profit made on the sale of an investment property. Instead of paying tax on the full profit, the investor only pays on 50% of the nominal capital gain. The only condition is that the investment property needs to be retained for at least 12 months.

The use of negative gearing is dominated by high income earners. Grudnoff (2018) concluded that about 50% of the benefits accrued from negative gearing go to the top 20% of households, while only 6% goes to bottom 20%. The exceedingly generous tax benefits make investing in residential property a highly attractive option, especially for high income households. In 2021, investors continued to pile into the residential property market despite the pandemic. In November 2021, loans to residential property investors rose by 3.8% on the previous month, to an all-time high of $10.1 billion, the highest monthly amount ever. November marked the 13th consecutive increase in landlord loans (ABS, 2022e).

Historically, strong demand from investors has pushed up residential property prices making it difficult for even middle class first time buyers to enter the market. A senior executive of Australia's largest financial comparison site commented that once investors returned to the market in 2021 (in 2020 at the start of the Covid-19 epidemic there was a marked slowdown in property investment), first home buyers would be 'bid out of play … [and that] [i]f the Australian dream of homeownership is to survive this decade, we need to see the brakes eased on [by the regulator] to slow investment lending' (in Duke & Wright, 2021).

The excessive entry of investors into residential property has accentuated inequality in two main ways. Firstly it has allowed individuals with substantial disposable income to increase their wealth substantially. Secondly, by driving up house prices, it has ensured that less cashed up households are either shut out of the housing market for an extended period or lifelong, or alternatively they have to use a considerable proportion of their income to service their mortgage.

Social housing and inequality

Although social housing has never been a substantial part of Australia's housing stock, in the past it has been a viable and accepted possibility for low-income individuals and households. However, at present, it is exceptionally difficult for even highly vulnerable households to access it. The failure by federal and state governments to allocate adequate resources to the sector, more especially over the last three decades, has meant that social housing as a proportion of the housing stock and a way to lessen inequality, has declined substantially.

Between 2006 and 2021, nationwide, the social housing stock increased by only 31,400 dwellings; from 408,800 to 440,200 dwellings (4.2% of all households), around 2,000 homes a year (AIHW, 2022b). The decision by the federal Labor government to use the building of social housing to combat the impacts of the global financial crisis in 2008 accounted for much of the increase. In the period 2009-2011, about 19,700 social housing dwellings were built (Australian Government, 2013). The failure to allocate adequate resources to the sector has greatly increased the shortage of affordable housing. One estimate is that in 2019, nation-wide there was a shortage of 440,000 dwellings that were affordable for people in the lowest 20% of household incomes (Troy et al., 2019).

Nationally, in June 2020, there were 155,100 households on the social housing waiting list (AIHW, 2021). In NSW, in mid-2021, just under 50,000 applicants were on the waiting list of whom 44,127 were on the general waiting list and 5,801 (12%) were designated priority (NSW Government, 2021). On the NSW government website expected waiting times are given and in most localities the expected waiting time for applicants on the general waiting list is 10 years or more (NSW Government, 2021).

For an applicant to have any chance of accessing social housing, they usually have to be in ‘greatest need’. In 2020, just under 80% of new housing allocations to social housing went to those applicants that were determined to be in ‘greatest need’. The changing composition of social housing is starkly illustrated by the shift in the main source of income of households. In 1960, wages were the main source of income for 85% of social housing households; by 2013 this was the case for only 5% (Pawson et al., 2020a).

The data suggest that the avidly neoliberal Coalition government that was in power federally from September 2013 until it was defeated by the Australian Labor Party (ALP) in May 2022, had little interest in expanding social housing. The budget for social and Indigenous housing and homelessness funding was $2 billion in 2013. In 2021, it was only $1.6 billion, about 0.2% of the federal government budget (Homelessness Australia, 2021). The ALP has recognised the desperate need for social and affordable housing and has pledged to build 20,000 social housing dwellings and 10,000 affordable homes in the next five years. However, the ALP's commitment is premised on a financialised model. The funds for social housing will be accrued from the returns of a $10 billion Housing Australia Future Fund. The returns will be transferred to the National Housing Finance and Investment Corporation (NHFIC) who will provide community housing providers with the finance to build social and affordable housing. The amount transferred to the NHFIC will depend on the profitability of the fund.

For those households that have managed to access social housing, it does provide substantial income protection and security of tenure. As long as they adhere to the tenancy rules and pay their rent, tenants are generally secure. Rents in social housing are set at 25% of income which means that even people reliant on the government Age Pension or Disability Support Pension are above the poverty line after housing costs. Unfortunately this is not the case for people who are reliant on the unemployment benefit (JobSeeker), which is much lower than the DSP and Age Pension.[vii]

Homelessness

The most profound manifestation of inequality with respect to housing is homelessness. The 2016 Census concluded that 116,427 people were homeless, up from 102,439 in 2011. The homeless rate in 2016 was 50 persons for every 10,000 up from 48 persons in 2011 and 45 persons in 2006 (ABS, 2018). In addition to people defined as officially homeless, another 96,963 people were living in marginal housing and were thus on the cusp of homelessness. Most of the marginally housed, 80,877, were living in severely overcrowded conditions –

defined as living in dwellings which required three extra bedrooms (ABS, 2018). In 2018-19 approximately 290,000 Australians sought help from specialist homelessness services, a 14% increase over 4 years. Domestic violence was the leading factor precipitating a request for assistance (Pawson et al., 2020b). First Nations people were far more likely to be homeless; the rate of homelessness for First Nations people was seven times the average - 361 persons for every 10,000. Although constituting only 3% of Australia's population, in 2016 they accounted for 20% of the homeless population. Severe overcrowding was a major issue, accounting for 70% of First Nations people classified as homeless (AIHW, 2021). A disturbing trend is that older Australians, 65 plus, are the fastest growing group utilising homelessness services (Pawson et al., 2020b).

A major cause of homelessness is an inability to afford the private rental sector. Historically, low-income individuals and households would be able to find affordable accommodation in the regional areas. However, as noted, the pandemic has meant that rents in many regions are no longer lower than rents in the capital cities. In 2021, the Byron Bay shire was not only the most expensive area in Australia, but also had the distinction of having the highest number of homeless people outside of Sydney (Sullivan, 2021). The number of people sleeping on the streets had increased by 37% since 2018. Women were especially hard-hit. In May 2021, the police estimated that 400 women in the Byron Bay area were sleeping in their cars or in tents. Many of the those who were homeless had regular jobs. Sullivan (2021) cites the example of a 47 year-old woman in Byron Bay who despite having a full-time job, became homeless when her landlord increased her rent by $200 a week. After moving six times in one year, she eventually found a stable rental apartment for herself and her daughter. However, the rent consumed two thirds of her income.

The lack of affordable housing is a major gender issue. Thousands of women are stuck in dysfunctional and violent relationships because they do not have safe, secure and adequate alternative accommodation (Flanagan et al., 2019; Summers, 2022). The main response from women who suffer domestic violence is to approach Specialist Homelessness Services for assistance. However, as Flanagan et al (2019: 1) conclude, the 'data suggests that for many clients, there is little services can do to provide a pathway from crisis into stable, secure and long-term accommodation'. In NSW, almost 40% of people who accessed specialist homelessness services had suffered domestic violence. At the end of 2021, the NSW government announced that $464 million will be spent over four years on accommodation to support women and children escaping domestic violence. In response, the Chair of Domestic Violence NSW commented,

> We are pleased to see this new funding announcement recognising the urgent need for refuge supports in rural, regional and remote areas and across NSW. Specialist domestic and family violence services are a lifeline for women and children fleeing abuse, and do the work of many agencies combined. We know the numbers of people in need being turned away are continuously increasing due to lack of space (in Smith, 2021).

What is evident is that housing is not only a central contributor and feature of class inequality, but plays a major role in perpetuating gender inequality.

Discussion and conclusion

I have endeavoured to illustrate how housing has contributed fundamentally to both wealth and income inequality in Australia and how this scenario has been greatly facilitated by policy settings premised on neoliberalism and the financialisation of housing. The dominance of a neoliberal ethos has meant that Australian governments have, to a large extent, adopted a laissez-faire approach to the housing market. The government interventions that have been put in place to supposedly boost home ownership have contributed to increasing the cost of housing thereby making it increasingly difficult for even middle class individuals / households to purchase a home. Alternatively, if they do manage to raise a deposit, they have to devote a substantial proportion of their income to paying the mortgage. The massive increase in house prices over the last two decades has dramatically increased inequality between outright homeowners and non-homeowners. Within the ranks of homeowners, the wealth gap between an outright homeowner and a homeowner with a mortgage would depend on the size of the latter's mortgage. However, being in the housing market certainly puts homeowners with a mortgage in a different position wealth-wise to renters.

As indicated, the inequality related to housing is not confined to wealth, but also extends to disposable income. Housing costs of private renters and households with a mortgage are invariably much higher than they are for outright homeowners. For low-income households, housing tenure is thus extremely significant. Those experiencing mortgage or rental stress would often be facing financial hardship.

House prices have also been pushed up significantly by investors. The financialisation of housing has made the purchase of a residential property an extremely attractive investment. As indicated, around one in six Australian taxpayers own an investment property. The tax regime created by the federal government for investors in residential property means that for a middle class household that has disposable income, not to purchase an investment property is probably imprudent from an investment point of view.

In conclusion, a rough **wealth inequality hierarchy** shaped by housing can be sketched. On top would be outright homeowners who own more than one property. These could be investment properties or second homes (holiday homes). If the additional property/properties is/are owned outright, the wealth of the households concerned could be extreme. Secondly, we have outright homeowners who own their home outright, but do not have an additional property. Of course, the housing wealth of outright homeowners with or without investment properties /holiday homes would depend on where their home is located and the home itself. Thirdly, we have homeowners who have a mortgage, but are not in mortgage stress. Fourthly, are low-income homeowners who have a sizeable mortgage relative to their income and are suffering from mortgage stress. Their wealth will usually be higher than most private renters, but their disposable income post paying the mortgage could be lower, especially when compared to middle class private renters who could be choosing to rent or are in the process of saving for a deposit (see Hulse et al., 2019). At the bottom of the rung wealth-wise are low-income private renters and social housing tenants. The wealth of both groups would invariably be minimal.

With respect to **income**, as indicated (see Table 1), the weekly housing costs of outright homeowners are, on average, far lower than other groups and this will have an impact on their disposable income. However, the income of outright owners varies considerably. Thus outright homeowners who are reliant on the government Age Pension for their income may have substantial wealth, but their income will be modest. The income of homeowners with a mortgage will differ dramatically. It would depend on the size of their mortgage and their income. With respect to renters, those in social housing, because their rent is set at 25% of their income, would in many instances have more disposable income than low-income private renters. This is particularly evident in the case of private renters who are reliant on government benefits for their income. Most of these private renters would have to use a considerable proportion of their income to pay for their accommodation. For this group a rent increase or being told to vacate could be catastrophic and result in homelessness.

The group most affected by neoliberalism and the financialisaton of housing are people who are homeless or marginally housed. They have no wealth and negligible income. The failure by successive Australian governments to ensure that there is ready access to social housing, means that for decades to come a section of the population will be homeless or marginally housed.

We can conclude that in Australia, housing is making a direct and substantial contribution to inequality. A concern, in line with Piketty's analysis (see Piketty, 2017), is that the inequality generated by housing will be intergenerational and deepen. The only way this can be prevented or at least dissipated, is if there is a major shift in government housing policy. There needs to be a dramatic increase in expenditure on social housing and ideally the incentives that make housing such an attractive investment need to be scrapped. Any policy that contributes to an increase in house prices needs to be reviewed. Unfortunately the proportion of Australian households who now have a vested interest in a housing policy shaped by neoliberalism and the financialisaton of housing is so substantial, that unwinding the policy framework in place[viii] represents a potentially hazardous electoral challenge for any government.

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[i] A growing phenomenon is a household being owners and renters, often called rentvesters. Due to affordability constraints they buy a property in an area which they may not consider convenient, rent it out, and then rent in an area which they feel is more in tune with their lifestyle but in which they cannot afford to buy (Hulse & McPherson, 2014). .

[ii] A household is defined as being in mortgage or rental stress if it is in the bottom two quintiles of the equivalised disposable household income and is using more than 30% of its disposable income to pay for accommodation.

[iii] One Australian dollar is around 70 US cents.

[iv] From November 2020, the Reserve Bank of Australia (RBA) held the cash rate at 0.1%. In May 2022 it was increased to 0.35%.

[v] The Australian Prudential Regulation Authority (APRA) has intermittently issued instructions to lenders in an effort to 'cool' the housing market. For example, in October 2021, lenders were instructed to assess a new borrower's capacity using an interest rate that is at least 3% above the standard interest rate.

[vi] The government Age Pension is means tested. All Australian residents aged 66 and 6 months are entitled to an Age Pension if they earn below a certain amount. The full Age Pension in mid-2022 was $494 for a single person and $744 a week for a couple.

[vii] In mid-2022, the Age Pension and DSP benefits were the same. However, the benefit for people reliant on JobSeeker was $321 a week for a single person. The poverty line in the June quarter in 2022 for a single person not in the work-force was $298.35 per week other than housing; including housing it was $500 a week (Melbourne Institute, 2022).

[viii] In the 2019 federal election a key part of the Labor Party's platform, was a policy aimed at slowly reducing the extremely generous tax benefits that accrue to property investors. The policy was vigorously attacked by the conservative Coalition government that was in power and contributed to the Labor Party's surprise defeat. In the most recent federal election which the Labor Party won, the policy to weaken negative gearing and lessen the capital gains tax benefit were scrapped.