

Advertiser Disclosure

We independently select all products and services. If you click through links we provide, we may earn a commission. [Learn More.](#)

ADVISOR PROPERTY

Australia's Housing Crisis: The High Price We're Paying

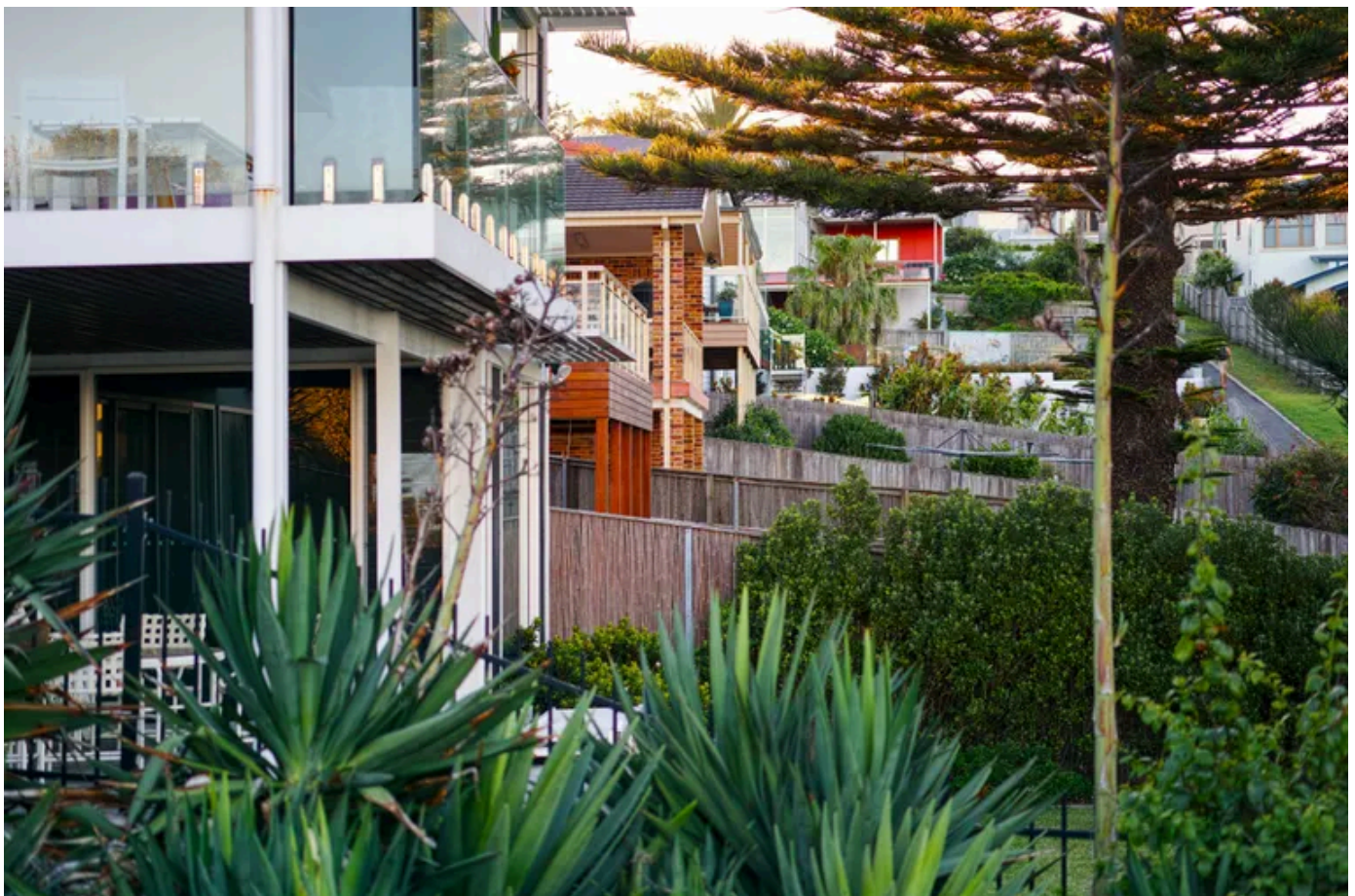
Published: Oct 2, 2024, 10:39am



Written By **Prashant Mehra**
Senior Staff Writer

& 1 other

Editorial note: Forbes Advisor Australia may earn revenue from this story in the manner disclosed [here](#). Read our [advice disclaimer here](#).



Shutterstock

Table of Contents

[gearing](#) for investors and the resilience of the nation's property sector in the face of high interest rates.

Prices [rose once again](#) in September despite the central bank's cash rate of 4.35%, although CoreLogic notes that the pace of the increases are easing. Nevertheless, the figures are telling. CoreLogic's national Home Value Index (HVI) reveals that properties rose by a huge 32.5% between March 2020 and February 2024, adding approximately \$188,000 to the median value of an Australian dwelling. The [13 interest rate rises](#) that the Reserve Bank of Australia has delivered over the past two years has had some impact, with prices rising at a much more subdued rate: by .5% and .4% in August and September respectively.

That means prices are still much higher than they were pre-pandemic—and they were considered high then. That has made it even harder for people to get on the housing ladder, with research [finding](#) 90% of aspiring first-home buyers are unable to purchase a property.

The Story of Australia's Property Market

Australians have long held a fascination for property, with the family home considered synonymous with wealth and security. This is evident in the relatively high levels of home ownership compared to other countries, with the proportion remaining well above 50% since the post-World War II period.

According to property intelligence firm PropTrack, house prices in Australia first spiked in 1950, doubling in a single year. This coincided with the end of World War II price controls on land and rents. Prior to this, land in capital cities had been relatively cheap, which kept a lid on house prices.

As land close to the city centres became more scarce, and immigration into Australia increased, prices rose at a steady pace over the 1950s to the 1970s. Price rises still averaged a relatively modest 3% to 4% over these decades as improvements in personal and public transport opened up far-flung suburban areas and regular economic downturns.

Based on data from the Australian Bureau of Statistics, house prices in Sydney averaged near \$27,500 in 1970, which would be worth about \$250,000 at today's prices. For comparison, the current median value of house prices in Sydney is \$1.1 million.

Then came the deregulation of the financial sector during the 1980s, which resulted in increased competition, and along with a shift to a low inflation, low interest rate environment in the early 1990s greatly increased household access to finance in Australia. As demand increased, prices boomed in the late 1980s and later in the 1990s.

Related: [Is Australia's Property Market Going to Crash?](#)

The Great Property Boom of the 2000s

Compared to the previous decades, Australia's property market recorded phenomenal growth starting around the turn of the century, led by price rises in the biggest capital city markets of Sydney, Melbourne and Brisbane. House prices are estimated to have increased by an average 6.2% per year between 1996 and 2010 and another 5.2% between 2012 and 2017, followed by the post-Covid boom of the last four years.

House prices in Sydney averaged near \$27,500 in 1970, which would be worth about \$250,000 at today's prices. For comparison, the current median value of house prices in Sydney is \$1.1 million

This period has coincided with several unusual events, including the global financial crisis, the mining boom, rising immigration and the Covid-19 pandemic. The main factors that have contributed to booming property prices over the last two decades include:

1. Migration and Population Growth

Australia's population has jumped more than 30% over the last two decades to the current 26 million. A big reason for this has been the much higher net immigration rate since the mid-2000s, which has fuelled demand for new homes.

"Our population growth has really accelerated since the early 2000s, but our rates of homebuilding didn't keep up, especially for apartments and units. Over the last 30 or 40 years, we've essentially built the same number of houses per year," said Tom Devitt, senior economist at the Housing Industry Association.

2. Supply Constraints

quite slow.

Our population growth has really accelerated since the early 2000s, but our rates of homebuilding didn't keep up

In addition, other supply constraints such as the shortage of building materials the world over has blown out the costs of building new houses. Labour constraints have also been acute in residential construction, particularly over the last three years as travel restrictions locked out overseas workers.

3. Falling Interest Rates

Interest rates affect all asset prices, including housing. Excluding the rate hikes over the two years, interest rates had been on a downward trend since the financial deregulation of the 1980s, resulting in much higher availability of credit that stimulated demand. Interest rates on mortgages averaged 8% in 2000, but had dropped to 2% during the pandemic.

“The broad trend in interest rates over the past three to four decades has been down. And that means that even though home prices have been higher relative to incomes, housing affordability has actually been easier than it used to be in earlier decades,” PropTrack economist, Angus Moore, says.

4. Tax breaks

Australia introduced generous tax concessions on property investment in the 1980s, in the form of [negative gearing](#) (where homeowners could set off property expenses against personal income), [capital gains tax exemptions](#) and interest deductibility.

It resulted in a boom in home lending as property investors boosted demand in the housing market. While negative gearing and other tax discounts are not the only drivers of house price growth, they have become a much more important factor in the property market as investors have purchased a growing share of dwellings over the years.

Labour MPs have toyed with ending the tax cuts in an attempt to increase affordability for first home buyers, but often face an electoral and investor backlash. The recent news that Federal Treasury had commissioned a report into the possibility of limiting the scope of negative gearing was enough to prompt attacks by the Opposition and reassurances by Prime Minister Anthony Albanese he was not considering any changes.

5. Government Policies such as First Home Buyer Grants

As first home buyers and younger households have increasingly found themselves locked out of the housing market, successive governments have responded by ploughing billions of dollars into schemes to assist them. Federal and state governments are estimated to have spent \$20 billion in helping some young and low-income people into the market throughout the 2010s.

A recent example has been the federal [First Home Guarantee scheme](#) for first home buyers. Many housing economists believe these grants have only made housing more expensive as they boost demand further even though the lack of supply is not being tackled.

How Australian Property Compares To the Rest of the World

Australia's property market is considered to be among the most expensive in the world, with Sydney regularly featuring in the list of least affordable housing markets, along with some US, Asian and Canadian cities.

One measure of affordability is the household debt-to-income ratio. Australia's housing sector is burdened by some of the highest debt levels in the world, with a household debt-to-income ratio of 211%, more than double the 101% in the US and far higher than the UK's 148% and Japan's 115%.

However, economists caution against a simple comparison of these metrics, given that some of them don't consider the varying government and institutional ownership of different housing markets and the wide variation of interest rates among countries.

Fixing the Housing Crisis

Many economists believe fixing the housing crisis comes down to supply.

The Federal Government has outlined plans to tackle the issue through the Housing Accord signed between federal and state governments last year, which aims to construct one million new homes over five years from 2024 with the aid of private capital, including from super funds.

It is also aiming to build 30,000 new social and affordable rental homes over five years by establishing a \$10 billion Housing Australia Future Fund. In Victoria, former premier Dan Andrews was also focused on housing, announcing a plan to deliver 800,000 homes over the next decade, including social housing for low-income families.

HIA's Devitt says in the short-term, policymakers can provide financial assistance to first-time buyers and rental support to tenants.

“In the medium to long-term, there needs to be structural changes to the tax system, to our planning laws relating to development and the release of land, and our financial regulators need to make it easier for the banks to lend to homebuyers,” he added.

Frequently Asked Questions (FAQs)

[Why are Australian houses so expensive?](#)

[Why is Sydney property so expensive?](#)

[Where is the most expensive real estate in Australia?](#)

[What is the average cost of housing in Australia?](#)

[Will property prices ever fall Australia?](#)

Property Guides

[What Is Conveyancing?](#)

[Buying Off The Plan](#)

[Best Investment Property To Buy](#)

[How To Buy An Investment Property](#)

[Guide To Buying An Apartment In Australia](#)

[Tax Deductions On Your Investment Property: What You Can Claim](#)

[Stamp Duty Explained](#)

[The First Home Loan Deposit Scheme Explained](#)

[How To Buy An Investment Property In Australia](#)

[What Is Negative Gearing?](#)

[Property Investment In Australia: Glossary Of Terms](#)

[The National Rental Affordability Scheme Explained](#)

[What Is The Capital Gains Discount?](#)

[Guide To Property Management In Australia](#)

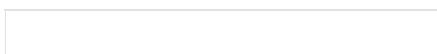
Property News

[Average Rent In Australia](#)

[Is Australian Real Estate In A Property Bubble?](#)

Is The Australian Property Market Going To Crash?

More from  Advisor



What Is Stamp Duty? The Complete Guide

By **Jessica Mudditt** Contributor

Guide To The First Home Guarantee Scheme

By **Jessica Mudditt** Contributor

Will The Australian Property Market Crash?

By **Penny Pryor** Contributor

Tax Deductions On Your Investment Property: What Can You Claim?

By **Olivia Gee** Contributor

How To Buy An Investment Property In...

By **Sophie Venz** Former Staff Editor

Guide To Property Management In Australia

By **Jessica Mudditt** Contributor

The information provided by Forbes Advisor is general in nature and for educational purposes only. Any information provided does not consider the personal financial circumstances of readers, such as individual objectives, financial situation or needs. Forbes Advisor does not provide financial product advice and the information we provide is not intended to replace or be relied upon as independent financial advice. Your financial situation is unique and the products and services we review may not be right for your circumstances. Forbes Advisor encourages readers to seek independent expert advice from an authorised financial adviser in relation to their own financial circumstances and investments before making any financial decisions.

We do not offer financial advice, advisory or brokerage services, nor do we recommend or advise individuals to buy or sell particular stocks or securities. Performance information may have changed since the time of publication. Past performance is not indicative of future results. Forbes Advisor provides an information service. It is not a product issuer or provider. In giving you information about financial or credit products, Forbes Advisor is not making any suggestion or recommendation to you about a particular product. It is important to check any product information directly with the provider. Consider the Product Disclosure Statement (PDS), Target Market Determination (TMD) and other applicable product documentation before making a decision to purchase, acquire, invest in or apply for a financial or credit product. Contact the product issuer directly for a copy of the PDS, TMD and other documentation. Forbes Advisor adheres to strict editorial integrity standards. To the best of our knowledge, all content is accurate as of the date posted, though offers contained herein may no longer be available. The opinions expressed are the author's alone and have not been provided, approved or otherwise endorsed by our partners. For more information, read our Advice Disclaimer [here](#).

Senior Staff Writer

Prashant Mehra is a Senior Staff Writer for Forbes Advisor Australia based in Sydney. He has more than 20 years of international experience covering financial news, including with Reuters and the Australian Associated Press (AAP). He writes about business, markets, the economy and investing.

Forbes

© 2025 Forbes Media LLC. All Rights Reserved.

[AdChoices](#)[Privacy Statement](#)[Do Not Sell or Share My Personal Information](#)[Limit the Use of My Sensitive Personal Information](#)[Privacy Preferences](#)[Digital Terms of Sale](#)[Terms of Service](#)[Contact Us](#)[Send Us Feedback](#)[Report a Security Issue](#)[Jobs At Forbes](#)[Reprints & Permissions](#)[Forbes Press Room](#)[Advertise](#)