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Analysis

Labor wants to fix Australia's housing issues – but there's little hope for those not already on the ladder

Jonathan Barrett and Patrick Commins

Without genuine reform, experts predict house prices to 'climb by 6-10% in 2025' and the gap between homeowners and those locked out of market to widen

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Days after Labor won a decisive victory with a mandate to fix housing affordability, those in charge of handing out mortgages poured cold water on it coming to pass.

Andrew Irvine, the chief executive of National Australia Bank, said the country "may not get the outcome we want" as the gulf between homeowners and everybody else threatens to expand in the coming months.

The long-serving ANZ chief executive, Shayne Elliott, was even more forthright when addressing media on Thursday.

"I don't know we are dealing with it. I mean, things are getting worse," said Elliott, who stepped down from his role on Friday after almost a decade leading the bank.

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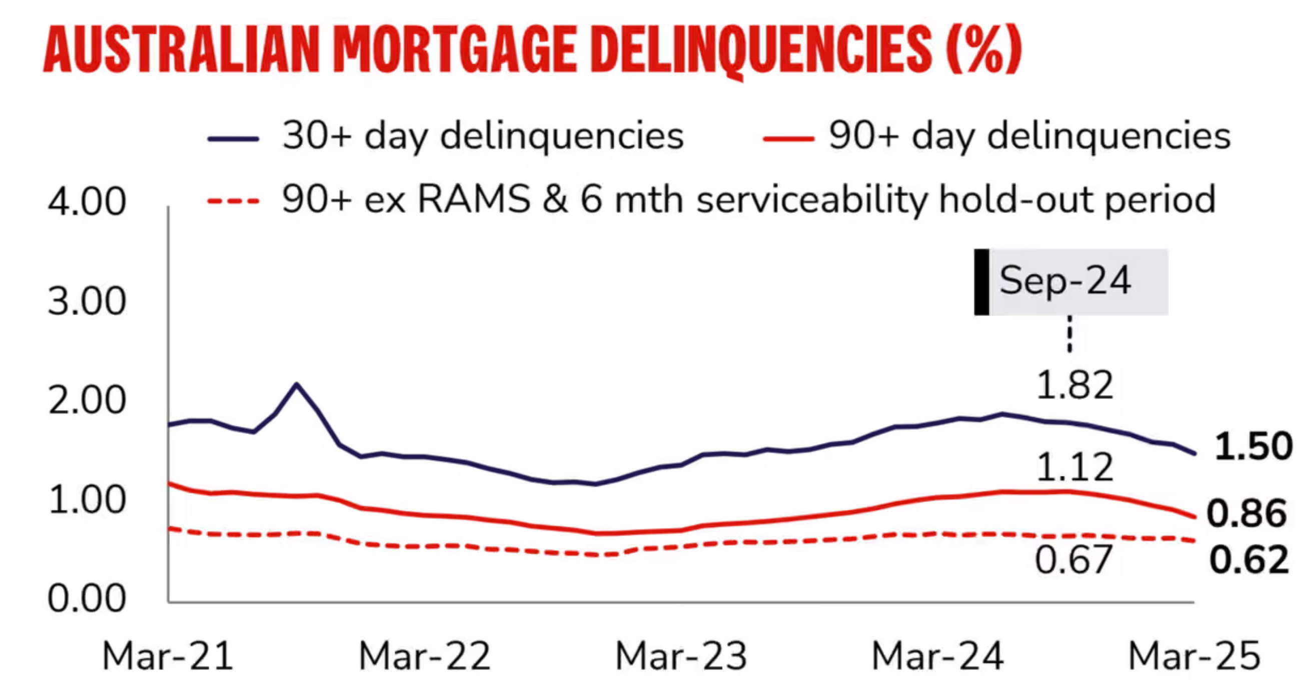
"I know there's really well-meaning, really thoughtful policies on both sides of politics … but the reality is, as we sit here today, I'm not sure there's confidence that we are going to see any material change any time soon."

The bank bosses pointed to a lack of housing supply for their dour outlook.



Australian mortgage delinquencies from Westpac Group's ASX release 5 May 2025 Photograph: Westpac Group

There are also other factors, such as the need to improve transport networks and infrastructure to ignite that supply, resolve unnecessary planning impediments, tackle high building costs and labour constraints.

The affordability problem has built up over decades, and Australia's banking CEOs don't believe the issue will be resolved any time soon.

"The Australian dream is owning a home, and you want younger people to have a chance to do that, you want new Australians to have a chance to do that," said Irvine.

"The only way we're going to address this is to fix supply. It's still the case that too much of the discourse on housing is on the demand side."

The lack of reformist housing policies - economists criticised both sides of politics for their competing election platforms - is fuelling an expectation that home prices will just keep rising, putting home ownership even further out of reach for younger generations.

Many housing reform advocates gave up on expecting federal governments to help resolve the issue after Labor's ill-fated 2019 campaign to overhaul negative gearing and capital gains tax, both of which would have represented robust reforms.

Advocates are now focusing their attention on rental rights, which are a state issue. The thinking is that improving tenancy rights may lower the value of rental properties, easing affordability at the expense of landlords.

Relief is in sight - for those with mortgages already

Those already on the property ladder don't want to get off it.

Even the banks were surprised how many of those who scrambled to get a mortgage in recent years - and then faced a string of interest rate increases and sharp rise in living costs - kept up with repayments.

"The resilience of customers who have navigated significant cost-of-living challenges over the past few years is impressive," Westpac chief executive Anthony Miller said on Monday, after delivering the bank's half-year results.

> *The ultimate winners are existing homeowners*
> **AMP chief economist Shane Oliver**

Part of the reason people clung on to their mortgages so tightly is that there are no good alternatives, given the tight rental market.

Mortgage arrears at the major banks have tended to plateau, or even drop, over the past six months, hovering well below pre-pandemic levels. The number of households requesting hardship packages from their lenders has generally been falling.

For those able to hang on to their mortgages, relief is in sight.

After the Reserve Bank reduced borrowing rates in February, a quarter-of-a-percentage point cut in the cash rate on 20 May is deemed a sure thing, and would lower the key rate to 3.85%, from 4.1%.

From there, financial markets are pricing in a further three cuts to 3.1% by December. Experts are a little less bullish, with a general consensus that the cash

December. Experts are a little less bullish, with a general consensus that the cash rate will end 2025 at 3.35%.

Either way, mortgage holders are set to receive substantial relief on their interest payments.

The monthly repayment on a $500,000 loan at an interest rate of 6.01% is $3,225.
Every cut of 0.25 percentage points lowers the interest bill by $76 a month. A further four rate cuts this year would deliver a $304 boost to monthly household budgets.

Getting on to the property ladder

While existing homeowners will be cheering falling rates, the picture is more complicated for those hoping to break into the property market, or upgrade towards a family home.

Lower interest rates boosts borrowing capacity - meaning buyers can afford to pay more. But cheaper money will also lift prices and potentially widen the deposit gap, and worsen the affordability crisis.

AMP chief economist Shane Oliver said he expected a rate cut on 20 May followed by another in August. He then expects a cut in November and then again early next year.

Oliver said the combination of cheaper loans and Labor's election housing policy to help first home buyers buy with a smaller deposit would ultimately push property prices higher.

"Lower rates and 5% deposits may feel like a good thing, and if you get in early it will be, because they can borrow more and it will be easier to service your loan," he said.

"For those who get in later (after prices have started climbing faster), it's not so good - and the ultimate winners are existing homeowners."

Louis Christopher, the founder of SQM Research, said rate cuts - if they happen - will have a progressively greater impact on house prices as the year passes.

Still, with the election and April holidays out of the way, Christopher expects a busy winter of property auctions.

"We expect housing prices across the country to climb by 6-10% in 2025," he said.