

Housing for people, not bank profits

The case for returning to public housing, in a system handed entirely to developers

Max Chandler-Mather, 10 June 2026

Executive summary

Key Findings

- According to the Federal Government's own State of the Housing System 2026 report, Australia is currently experiencing record low rental affordability, record low home purchase affordability and record high rental stress.¹
- The current Labor government has overseen the lowest average rate of public housing construction of any post-war federal government.
- Between 2024 and 2025, there was a decline in the total social housing (public and community housing) stock in Australia from 432,369 to 432,129, in large part as a result of demolition and privatisation of public housing.
- Since 2022, the Federal Labor Government has cut funding to 30,741 NRAS (National Rental Affordability Scheme) homes. This means that the net addition of 7395 social homes since 2022 has been more than offset by the loss of affordable rentals through the NRAS scheme.
- Since this Labor government was elected in 2022, every year has seen a new record low for social housing as a proportion of the total housing stock.
- By the next Federal election (2028), based on current policy settings, Australia will reach the lowest proportion of social housing since World War Two.
- Property developers systematically landbank and hold back the supply of housing and land, making rezoning and other incentives for developers completely ineffectual as policy levers
- The most affordable rent of any capital city is Canberra, the only capital city with any form of rent control.²

¹ State of the Housing System 2026. National Supply and Affordability Council. Australian Government. <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

² State of the Housing System 2026.

Recommendations

- Establish a Federal Government Developer with a mandate to build 360,000 rent and price-capped homes over the next five years and 50,000 every year after that.
- Coordinate a national 2-year freeze on rent increases, followed by ongoing yearly caps on rent increases.
- Re-establish a standalone Federal Department of Housing as part of a broader strategy of rebuilding the government's capacity to engage directly in construction and planning.
- Re-regulate the banking sector to further restrict and consider phasing out bank lending to investors for property purchases.
- Rather than aiming to continue to increase property prices, the Federal Government should target a reduction in rents and house and unit prices in real terms.

The housing crisis in Australia is the product of decades of Labor and Coalition bipartisan policy to almost completely privatise and outsource the provision of housing to the private market. It is these policies that have turned housing into a financial asset.

And while the partial winding back of negative gearing and the capital gains tax discount constitutes a slight shift, the reality is that Labor remains committed to a housing system left almost entirely in the hands of the private sector. In other words, as the crisis gets worse, the federal and state governments continue to largely pursue the same failed neoliberal policies that put us here in the first place.

In turn, surging house prices, rents and mortgages, as well as declining homeownership rates, can be seen as a massive private market failure in providing affordable, quality housing.

Housing in Australia is big business. The total value of Australian property is now over \$11 trillion dollars. Over 60% of all bank lending goes to housing, making Australian banks some of the most profitable in the world and the most invested in housing of any banking system. Meanwhile, Labor and Coalition governments have provided hundreds of billions of dollars in subsidies to the private housing market, inflating prices, generating enormous profits for the banks, and screwing over millions of Australians.

Like water, electricity, and healthcare, housing is an essential to life. Yet unlike these other essentials, the provision of housing is virtually entirely outsourced to the private market, where it is treated as a financial asset.

Ultimately, without major government intervention in rent controls, winding back property tax concessions, and directly building high-quality public housing at scale, we will never see a major improvement in housing affordability. The common thread among these policy interventions is moving away from land and housing as financial assets towards housing as an essential service.

The hollowing out government capacity, and the outsourcing of housing

From 1945 to 1982, the Federal Government and State Governments had a remarkable capacity to coordinate and build housing and other public infrastructure. Rather than outsourcing to private contractors, governments retained their own trades workers, architects, engineers, town planners and other experts.

The 1973-74 Department of Housing and Construction Annual Report noted that:

The professional, sub-professional and administrative staff employed by the Department as at 30 June 1974, totalled 7,542. Included in this figure were 827 engineers, 444 architects, 76 quantity surveyors, and 125 cadets.

In addition, a direct labour force of 8,121 men covering 25 trades was employed as at 30 June 1974 both on construction work and on general maintenance and operational services. This represented an increase of 8 percent over the previous year and reflects the Government's policy of reducing work by contract, where costs are comparable.³

At its high point in 1961 (other than 1945), 18% of all homes built in Australia were built by the government.

In 1982, the Coalition Fraser Government abolished the Federal Department of Housing and Construction and incorporated welfare housing services into the Department of Social Security. This was a major moment in a longer-term hollowing out of state and public service capacity that occurred from the 1980s onwards.

In broader terms, this reflected a policy shift that continued under Hawke and Keating, where public housing was no longer seen as a universal good for workers from all walks of life, towards 'welfare housing' that was restricted to particular disadvantaged groups.⁴

In 1995, the Keating government cut \$1.5 billion in yearly Commonwealth funding for public housing and redirected it towards Commonwealth Rent Assistance, providing a subsidy for low-income households in the private rental market. The Australian Financial Review described it at the time as turning "45 years of federal policy on its head with their plan to switch from funding public housing construction to subsidising rents of low-income earners".

³ <https://nla.gov.au/nla.obj-2141197412/view?sectionId=nla.obj-2298397429&partId=nla.obj-2148552298#>

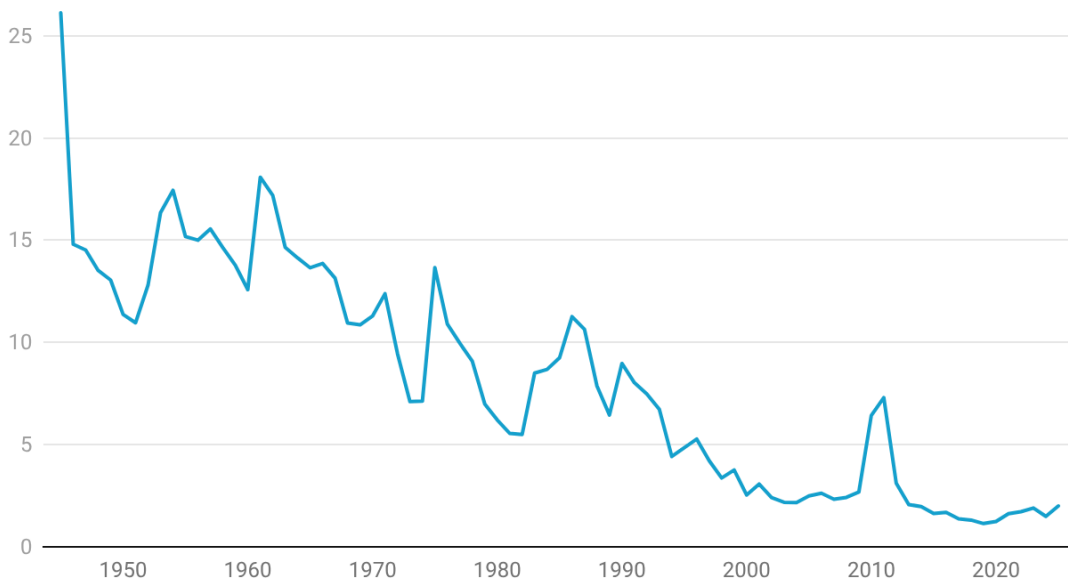
⁴ THE RISE AND FALL OF PUBLIC HOUSING IN AUSTRALIA. Patrick Troy. Australian National University. 2011. <https://apo.gov.au/sites/default/files/resource-files/2011-12/apo-nid59979.pdf>

The Federal Government is now projected to spend \$7.2 billion next financial year on Commonwealth Rent Assistance. Despite this, 42% (577,000) of CRA recipients are in rental stress even after receiving the payment.⁵

In other words, the policy of pushing even low-income renters into the private rental market and providing subsidies to offset the cost of private rent has catastrophically failed.

Decline in public housing construction capacity

Public housing as a proportion of all housing yearly housing completions (%)



Source: ABS Building Activity & ABS Year Books • Created with Datawrapper

Financialisation

Prior to the Howard Government's introduction of the capital gains tax discount, the Hawke and Keating Governments' financial and bank deregulation opened the door for banks to aggressively pursue investor housing as a lucrative new asset.

A Reserve Bank of Australia Bulletin in 2002, noting the surge in house prices, observed that:

In the 1980s, regulations on interest rates and bank lending behaviour were gradually removed. In the 1990s, increased competition, securitisation and new entry into the industry saw a substantial increase in the availability of finance for investors. Banks now actively seek housing investors, interest rates on loans to investors are no longer any higher than on those to owner-occupiers, and new mortgage providers such as mortgage originators and brokers, in partnership with property

⁵ Commonwealth Rent Assistance in Australia: quarterly data.
<https://www.aihw.gov.au/reports/housing-assistance/cwlth-rent-assistance-in-australia-quarterly-data/contents/rental-stress-and-commonwealth-rent-assistance>

developers, approach potential housing investors. It is not surprising, therefore, that there has been a steady trend towards greater borrowing for investor housing over the past decade.⁶

This wave of financial deregulation, combined with the wholesale outsourcing of housing provision to the private market and the introduction of the capital gains tax discount, together transformed housing into the most lucrative financial asset in the history of banking in Australia.

As you can see below, Australian banks transformed from business-oriented lenders into housing-oriented lenders, driven by an explosion in lending to property investors. This explosion in credit has helped turbocharge house prices.

Figure 9 Lending has skewed away from business toward housing



Source: Productivity Commission, Competition in the Australian Financial System, No. 89, 29 June 2018, p33

Australians currently owe the Big Four banks alone \$1.8 trillion in mortgage debt.⁷

This is why, beyond changes to tax benefits for property investors, the Federal Government should re-regulate the banks to place significant restrictions on lending to property investors, with a plan to consider phasing out such lending.

⁶ Recent Developments in Housing: Prices, Finance and Investor Attitudes. Bulletin – July 2002. Reserve Bank of Australia. <https://www.rba.gov.au/publications/bulletin/2002/jul/1.html>

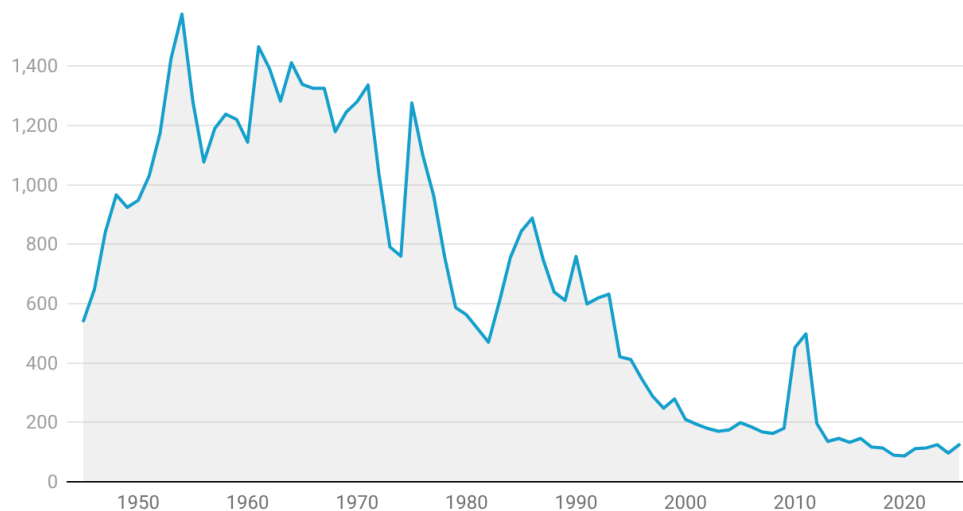
⁷ Quarterly authorised deposit-taking institution statistics. APRA. <https://www.apra.gov.au/quarterly-authorized-deposit-taking-institution-statistics>

Public housing construction is at an all-time low

On every measure, despite the Government's rhetoric, Labor has continued the long-term neglect and defunding of the construction of public housing. Even with the construction of community housing, the net increase from 2022 has been woefully small. Between June 2024 and June 2025, the overall social housing stock (public and community housing) declined.

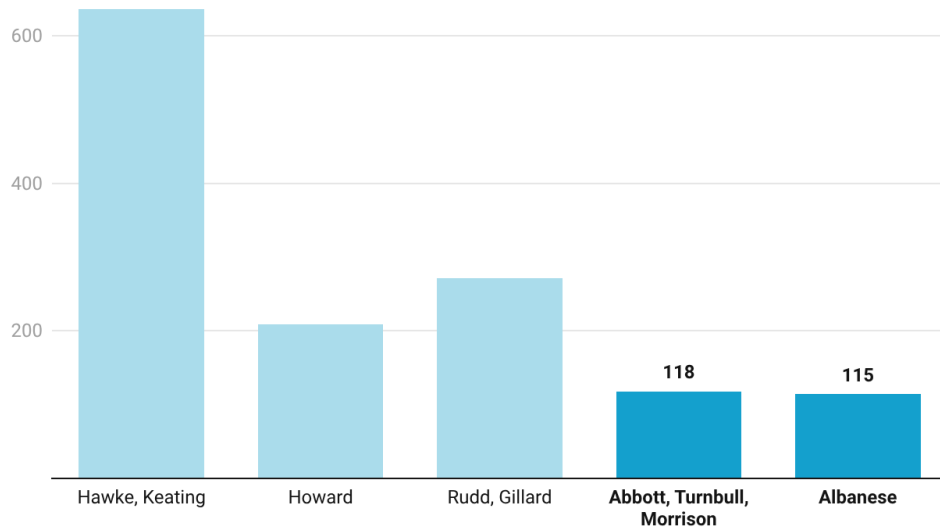
Under Labor, the long-term decline in public housing stock has continued as a result of widespread sell-offs, demolitions and stock transfers.

Public Housing Completions (per million people)



Source: Building Activity, Australia; Australian Bureau of Statistics & ABS Year Books - Created with Datawrapper

Average yearly rate of public homes built per million people



Source: ABS Dwelling Activity • Created with Datawrapper

Australia Social Housing Stock

Year	Public housing	State Operated and Managed Indigenous Housing	Community housing	Total	Change
2025	296,541	17,163	118,425	432,129	-240
2024	297,684	15,868	118,817	432,369	5,787
2023	298,404	14,028	114,150	426,582	1,848
2022	297,600	14,291	112,843	424,734	1,981
Total change	-1,059	2,872	5,582	7,395	

Source: Productivity Commission Report on Government Services 2026 • Created with Datawrapper

In proportional terms, social housing as a proportion of all housing in Australia has fallen every year, as it has under previous Coalition and Labor governments. Currently 3.94% of all housing in Australia is social housing and by 2028 (under current trends) that will fall to below 3.8%. By comparison in 1991 7.1% of all housing was public or community housing. Internationally countries like Austria have 24% of their housing

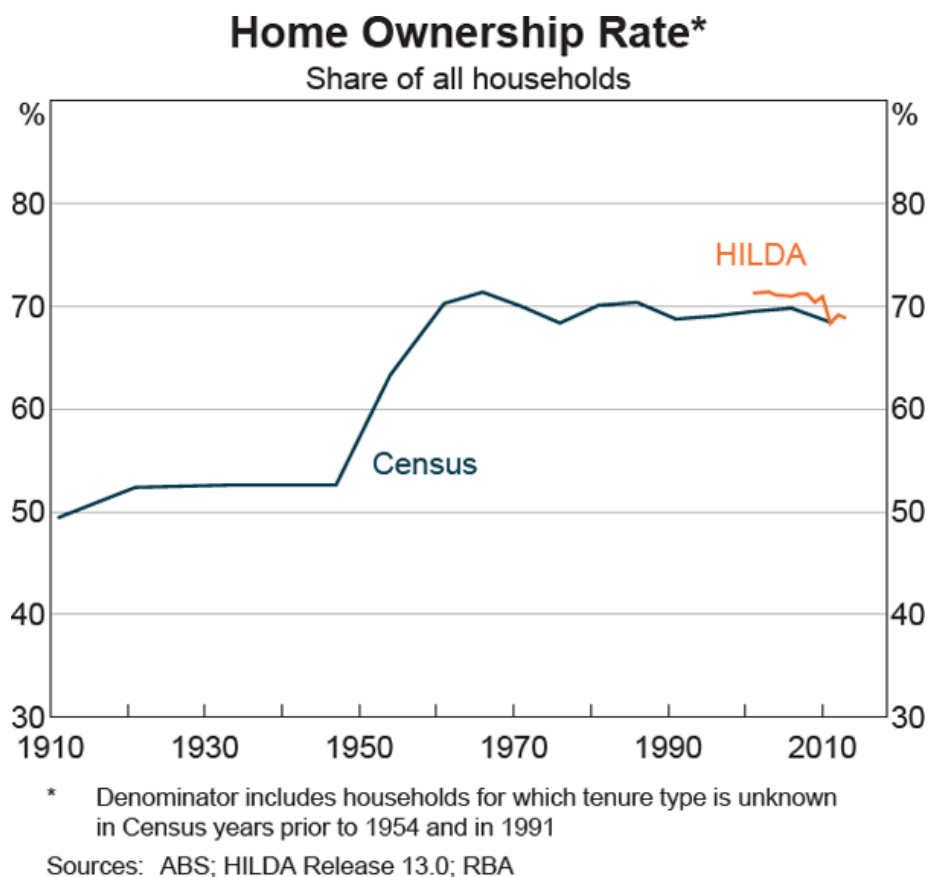
stock as social housing. To reach Austria’s proportion Australia would need an additional 2.3 million social homes. To even reach the 1991 level of social housing, Australia would need an additional 368,000 homes.

The fastest increase in home ownership was driven by public housing

Between 1945 and the 1970s, Australia saw its largest and only real increase in home ownership rates after World War Two. This was a result of the Federal and State Governments’ direct role in the construction, renting and sale of government housing to people at affordable prices.

While contested as a policy measure (for degrading the Government’s public housing stock), it is undeniable that the Menzies-era policy of building and selling homes at affordable prices had a massive positive impact on home ownership rates.

This is before you consider the second-order market impacts of reducing rents and house prices by maintaining a constant supply of affordable housing outside the private market.



You can’t rely on the private market to fix the housing crisis

Private developers will only build at a rate that allows them to maximise their profits. Developers deliberately restrict the supply of land and housing.

Economist Cameron Murray, in systematic analyses of the property industry, found that in 2019:

(1) over 200,000 housing lots, or 13 years of new supply, are held in landbanks owned by developers, that (2) nine years of landbanks are held in housing subdivisions that are approved and already for sale, meaning planning delays are not the reason landbanks are held, that (3) the total zoned supply in a region is unrelated to the rate of new housing supply, and (4) that housing developers routinely delay housing production to capitalise on market cycles.⁸

The reality of Australia's debate over housing supply is that governments have very little control over the "supply" of housing, unless governments directly build housing at scale as Australia used to.

Developers are often very open about this fact when asked. A Reuters report in 2019 covering declining house prices quoted then-head of major developer AV Jennings:

Peter Summers, chief executive of AVJennings, a developer exposed to suburban markets in Melbourne and Sydney, which is now looking to slow supply as the market turns sour.

"In a couple of projects, we've already reduced our stage sizes and delayed a couple of stages," he said.⁹

A report in the The Australian in 2021 revealed how Meriton owner Harry Triguboff was deliberately withholding the sale of apartments because it made him more money:

Meriton owns more units than it sold for the year, which was 12,359 apartments or about 4 per cent less than it sold in 2020. Mr Triguboff, who said he expected a \$400m profit from leasing the units owned by Meriton next year, told The Australian: "I am holding a lot more than I am selling at the moment, and as the value of property goes up the value of what I have kept rises.

"Apartments hadn't really risen in value a lot since probably 2017, but now they are so it is good for me to keep more of them."¹⁰

This market behaviour is not isolated, but widespread across the industry, because that is how a rational private developer should act to maximise profit. The problem is that it is a deeply irrational outcome if the goal is to provide good quality, affordable housing.

⁸ Time Is Money: How Landbanking Constrains Housing Supply. Journal of Housing Economics

⁹ Property bust rattles Australia's record-breaking economy. Reuters. 2019.

<https://www.reuters.com/article/world/property-bust-rattles-australias-record-breaking-economy-idUSKCN1QA2YH/>

¹⁰ Meriton founder Harry Triguboff targets \$400m windfall on apartments. The Australian. 2021.

<https://www.theaustralian.com.au/business/property/meriton-founder-harry-triguboff-targets-400m-windfall-on-apartments/news-story/80eb4daa5c1311e3741c1c4cfbf56822?amp&nk=37aaf534facfc29e80be96011347f26a-1729643366>

Establish a public developer

Based on the 2025 Australian Greens federal election policy, the Government should establish a Federal Public Developer within a new Department of Housing, beginning the hard work of rebuilding government capacity to deliver affordable housing at scale on a permanent basis.

A public developers hould have a mandate to construct 360,000 homes over the next five years (commensurate with the scale of the crisis), and 50,000 homes every year after that. 70% of the homes built would be made available to rent. Rent would be capped at 25% of the individual household income or 70% market rent, whichever is lower.

30% of the homes built by the public developer per year would be sold to owner-occupiers at 5% over the cost of procurement, only eligible to those with no interest in real estate. Properties could only be resold back to the government at cost price plus CPI.

While 20% of the rental homes would be made exclusively available to those in the lowest 20% of income earners, the rest of the homes would be made almost universally available to anyone who wished to apply.

A publicly available costing of this policy by the Parliamentary Budget Office found that while the total cost of the plan over the first four years would be \$147.3 billion, the actual impact on the budget would be relatively small at just \$9.7 billion (underlying cash balance). This is partly because of the rental and sales income earned by the government. By year 10 of the policy, the developer is projected to be earning \$10 billion a year in rental and sales revenue.¹¹

This massive revenue stream is the product of a universal policy that ensures a broad and diverse mix of household types and income earners would live in the homes. This universality also ensures social success and is a critical component of similar schemes in Vienna and in the 20th century in Australia.

To put this policy in perspective, if the Australian Government built public housing at the same rate (per capita) that it did at the high point of public housing construction in 1961, then over the last five years Australia would have seen the construction of 199,133 public homes.

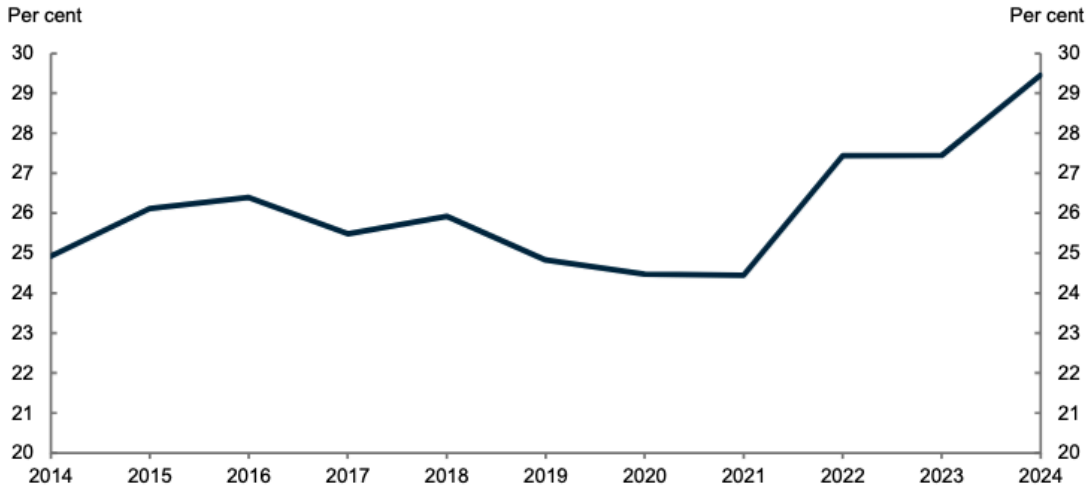
Rent controls

Rent controls remain a critical component of any effective housing policy. According to the Government's own reports, the share of renters in rental stress has reached a record high.

¹¹

<https://www.pbo.gov.au/sites/default/files/2025-06/PBO-ECR-2025-3265-Government-owned%20property%20developer.pdf>

Chart 3.7 Share of renters in rental stress

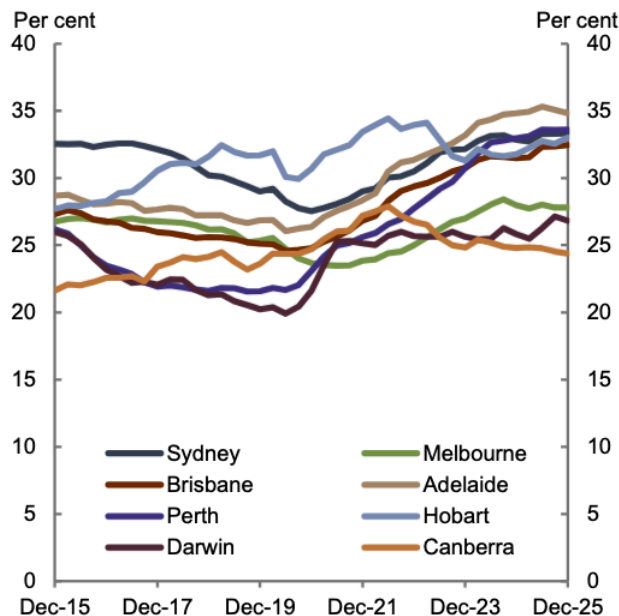


Note: The proportion of renter households in the two lowest equivalised disposable household income quintiles that are spending more than 30 per cent of their disposable income on rents. Data is population-weighted.
Source: HILDA Survey, Restricted Release 24; NHSAC 2026

Source: State of the Housing System 2026. National Housing Supply and Affordability Council, p57

Meanwhile, the city with the most affordable rent in the country is Canberra, the only place in Australia with caps on rent increases.

Chart 3.3 Rent-to-income ratio for new leases, capital cities



Note: The share of gross annual household income a median-income household needs to pay for rent on a new lease.

Source: Cotality and ANU POLIS Centre for Social Policy Research 2026

The Federal Government can, and should, play a nationally coordinating role with the states in implementing a two-year freeze on rent increases, followed by an ongoing cap on increases every year after that.

The freeze on increases reflects the need to give incomes a chance to catch up, after the fastest rent increases in decades.