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Australia's Housing Crisis Unraveled by Alan Kohler in a Bubble Bath

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Australia's housing affordability crisis, a growing burden on families and young buyers, stems from decades of misguided policies and unchecked immigration, as veteran financial journalist Alan Kohler highlighted in a recent comedic documentary. His bubble bath scene, a nod to *The Big Short*, underscores how government decisions have inflated property prices, making homeownership a distant dream for many. This article explores Kohler's insights, focusing on policy failures and their impact on the housing market.

Kohler points to the 1999 decision by the Liberal government under Prime Minister John Howard to slash the Capital Gains Tax (CGT) by 50% as a pivotal moment. This, paired with negative gearing—a tax deduction allowing property investors to offset losses against income—supercharged investment in real estate. “Housing was no longer just shelter; it became the best way to build wealth,” Kohler noted in the documentary *Sold!* on Foxtel and Binge. The policy shift drove a surge in demand, with house prices rising at 6–7% annually since 2000, double the rate of income growth, leaving median home prices in cities like Sydney at 14 times the average salary.

Immigration policies have further strained supply. Kohler highlights how the Howard government’s 2001 reforms, which opened pathways for international students to gain permanent residency, tripled migration to 300,000 annually by 2008. This influx, largely uncoordinated with housing construction, overwhelmed the market. Between 2005 and 2020, Australia’s population grew by 7.2 million, but only 3 million new homes were built, creating a shortfall of 1.2 million dwellings. The current Labor government’s ambitious target of 1.2 million new homes by 2029 seems unattainable, given construction sector constraints and a record number of builder insolvencies.

Kohler argues for bold reforms: reducing immigration to match building capacity, reversing CGT discounts, and incentivizing new housing with tax breaks. Yet, political reluctance persists, driven by fear of upsetting homeowners who benefit from rising property values. As Kohler quips, politicians cater to the majority—homeowners outnumber renters two-to-one. The crisis demands decisive action to restore affordability, or Australia risks a society divided by wealth and geography, where only the privileged own homes.