Actuaries Institute.

Rising House Prices and Climate Risks Creating Dual Housing Risk

- **Rising house prices lock out young buyers, creating inequality and retirement insecurity**
- **Whilst climate risk threatens property values in vulnerable areas, amplifying geographic inequities**
- **Coordinated action across financial services, government and individuals is needed to prevent deepening housing inequalities**

18 June 2025

Home ownership once considered a cornerstone of the Australian dream is increasingly becoming an elusive goal for many, according to the Actuaries Institute.

Drawing together multiple strands of Actuaries Institute research spotlights an emerging dual crisis of growing housing inequity. Rising prices relative to wages in metropolitan areas is creating intergenerational inequity, while the risk of climate-driven price declines in high-risk regions could drive geographic inequity.

Actuaries Institute CEO Elayne Grace said young Australians face dramatically different housing prospects than their parents or grandparents.

“Where over half of Australians aged 25-34 owned homes two decades ago, barely more than a third do today. This shift reflects the escalating cost of housing relative to incomes, with house prices for Millennials approximately double the price-to-income ratio compared to the 1980s.

“This represents a fundamental shift in the financial life journey of young Australians. Many now pay rents higher than potential mortgage payments and cannot accumulate sufficient deposits, increasingly relying on parental support or government programs to enter the housing market.

“This decline isn't uniform across society – it’s the younger and poorer Australians who are being left behind.”

Simultaneously, a different housing crisis is emerging in climate-vulnerable regions, where homes risk losing value due to insurance affordability and the implications for access to credit.

Around 5% of households with home loans face extreme insurance affordability pressures, representing approximately $57 billion in outstanding loan balances. Should natural disasters strike these communities, concentrations of uninsured properties could trigger property devaluation.

The consequences of the dual housing crisis extend into retirement, where housing status has become the primary determinant of financial security. Homeowners over 65 enjoy disposable incomes 2.5 times higher than non-homeowners, creating a stark divide in retirement outcomes.

“Housing has become retirement's fourth pillar, alongside the age pension, superannuation and voluntary savings," Ms Grace said. "Housing status is now the primary determinant of retirement adequacy – this represents one of the most significant equity issues in the Australian retirement system."

“Australia’s housing challenges require integrated solutions across government policy, financial services and individual planning,” Ms Grace said.

For media inquiries, please contact:

Helen McCombie
Sodali & Co
helen.mccombie@sodali.com
M: +61 411 756 248 | T: +61 2 8234 0103

Dialogue Papers are a series of papers written by actuaries and published by the Actuaries Institute as part of its Public Policy Thought Leadership program. The papers aim to stimulate discussion on important, emerging issues. Opinions expressed in this publication are the opinions of the Paper's authors and do not necessarily represent those of either the Institute of Actuaries of Australia (the "Institute"), its members, directors, officers, employees, agents, or of the employers of the author.

About the Actuaries Institute and the Profession
As the peak professional body for actuaries in Australia, the Actuaries Institute represents the profession to government, business and the community. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients and communities. They're called upon to give insight on complex problems and they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

www.actuaries.asn.au