

Media Release



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CUP DAY RATE RISE: PUNTS ON FOR THE BEGINNING OF THE END

Real Estate Institute of Australia (REIA) President, Mr Hayden Groves said REIA believes the latest interest rate rise to 2.85% should signal the end of further hikes, at least in the near future.

Mr Groves said that while RBA acknowledged that higher interest rates and higher inflation are putting pressure on the budgets of many households, CPI inflation over the year to September was still high at 7.3%.

“We believe as the impact of higher mortgage repayments start to filter through, interest rates should remain stable in the near future,” he said.

Mr Groves said that since May, repayments on a \$500,000 mortgage have already increased by almost \$700 each month and household saving is forecast to slump below pre-pandemic levels.

“Inflation is forecast to peak at 7.75 per cent in the December quarter of 2022, ease to 3.5 per cent by June quarter 2024 and moderate to 2.5 per cent by 2024-25.

“Higher mortgage payments are expected through higher interest rates because of this persistent inflation will impact on both housing and rental affordability,” he said.

Mr Grove reiterated that it would be prudent now to wait for the lagged response to the earlier increases with indications that tighter monetary policy is contributing to a slowing in household spending and confidence, business investment and normalising of house prices as increased mortgage payments squeeze disposable real incomes.

“Taking the cash rate much above this level would risk an unnecessarily abrupt slowing in growth in 2023,” he said.

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