

Media Release

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LACK OF SUPPLY NOT GREEDY LANDLORDS THE PROBLEM WITH RENTS

Speaking at the Real Estate Institute of Australia's (REIA) conference in Hobart yesterday, to commemorate 100 years of REIA, the RBA's Assistant Governor (Economic), Dr Sarah Hunter reiterated that it is supply that is the root of the cause of the current situation in both the rental market and the established housing market.

In noting that the housing sector sits at the heart of the economy, Dr Hunter said it was the imbalance between new supply and new demand for dwellings that are evident in both rental and housing market.

In welcoming the assessment by Dr Hunter, REIA's President, Leanne Pilkington " It was great to hear from Dr Hunter who has had many years of research experience in the housing sector both at Oxford Economics and now at the RBA."

"She has pointed out that the level of demand relative to the stock of properties available is the key driver for market rents. In other words, the low vacancy rates explain most of the movement in market rents. Importantly she found that there is little to no evidence of direct pass-through to rents from higher interest costs.

"The observation that market rents and interest rates move together appears to be a case of correlation, rather than interest rate rises causing rents to increase.

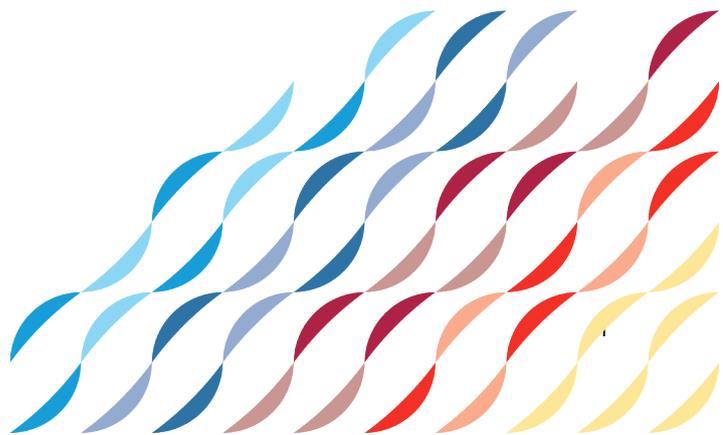
"This is contrary to much of the public debate about greedy landlords simply passing on higher mortgage costs and should stop the calls for rent freezes and other market interventions which do not address the problem and indeed exacerbate it.

"Dr Hunter also said that the last couple of years has seen a perfect storm of constraints on activity. While much of the supply chain disruption has been resolved, the pipeline of projects remains elevated, and there are still some capacity constraints.

"RBA's liaison program is showing that businesses are reporting that finishing trades are still in short supply.

"Whilst the initiatives on skilled migration announced in Tuesday's Budget are aimed at addressing the shortfall it will take time to see the impact."

"Dr Hunter suggested that there are several potential avenues through which these imbalances may be resolved but it will not be a quick fix.





"Amongst other factors that will address the imbalance between supply and demand are: average household size could increase; the pace of growth in construction costs could moderate; developers may respond with new supply; Federal and state government initiatives that streamline the approvals and build process will reduce costs.

"It is clear that there is no quick fix to what is a supply problem, it is also clear that government's across all three tiers need to do their bit to address the constraints and this includes encouraging private investment," concluded Ms Pilkington.

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Established in 1924, REIA is a federated body of State & Territory Real Estate Institutes representing 85% of Australian real estate agencies. We are a national advocate for the Australian real estate industry which is made up of 46,793 Australian businesses that employs 133,360 Australians.

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