100 YEARS OF SERVING THE REAL ESTATE INDUSTRY

Media Release

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CPI STEADILY INCHING TOWARDS TARGET

ABS data shows that the Consumer Price Index (CPI) rose 2.7 per cent in the year to August down from the 3.5 per cent rise in the twelve months to July and 3.8 per cent in the twelve months to June.

“The annual movement for the monthly CPI excluding the volatile items of fruit and vegetables, automotive fuel and holiday travel and accommodation, rose 3.0 per cent in August, down from the July figure of 3.7 per cent and 4.0 per cent for June,” said Real Estate Institute of Australia President, Ms Leanne Pilkington

“The important analytical series of annual trimmed mean also confirmed the downward trend. It went up by 3.4 per cent in August, which was down from 3.8 per cent in July and 4.1 per cent in June.

“This means that all three broad measures of inflation are the lowest they have been since 2021 before the RBA started its interest rate increases in May 2022 - the headline inflation is the lowest since August 2021, CPI excluding volatile items is the lowest since December 2021 and the trimmed mean the lowest since January 2021.

“The most significant price rises at the group level were Housing (up 2.6 per cent), food and non-alcoholic beverages (up 3.4 per cent) and alcohol and tobacco (up 6.6 per cent).

“Rents too are showing signs of moderation in the rate of increases. Rents increased by 6.8 per cent in the 12 months to August, down from the 6.9 increase in July and 7.1 per cent in June.

“REIA’s Real Estate Market Facts released earlier this month shows that vacancy rates increased in all capital cities except Melbourne and Hobart, where they remained stable. This suggests that the slowdown in rental increases should continue.

“With a consistent downward trend across the three measures of CPI, including the RBA’s trimmed mean, we are steadily inching our way to the RBA’s target zone and the anticipation that a rate cut cannot be far away. Current speculation regarding abolition of negative gearing would put a halt to this just as we are seeing a pick up in the proportion of housing loans going to investors, back to the levels a decade ago. Numerous studies have shown that such action would lead to additional rent increases of between 7 and 12 per cent,” Ms Pilkington concluded.

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