

OpenVoiceNews Australia

Transparent. Unbiased. Yours.

Rental Price Growth Slows Across Australia, Easing Pressure on Inflation and Interest Rates

July 23, 2025

– Categories: Real Estate



Australian renters may finally be seeing a break in what has been a relentless surge in housing costs. The latest *Quarterly Rental Review* from property analytics firm Cotality (formerly CoreLogic) reveals that national rental prices grew at their slowest second-quarter pace since 2020. This cooling trend in rents could ease one of the key pressures behind persistent inflation and strengthen the case for a Reserve Bank of Australia (RBA) interest rate cut as early as August.

Cotality's findings show a clear shift in rental momentum. Major cities like Melbourne, Sydney, and Canberra posted annual rent increases of just 1.2%, 1.9%, and 1.6%, respectively, figures now below their pre-COVID decade averages, even in markets that had seen steep increases. Such as Perth (up 4.9%) and Adelaide (up 4.7%), the pace of growth softened over the past quarter. Darwin and Hobart were the outliers, registering stronger year-on-year gains of 6.2% and 5.3%.

Despite the average Australian renter now paying roughly \$22 more per week, a \$1,134 annual increase, some cities remain comparatively affordable. Hobart, for instance, holds the title as the most affordable capital city with a median weekly rent of \$581. Still, lower median incomes in Tasmania offset some of this affordability advantage.

Here's a snapshot of weekly median rents across the capitals:

- **Sydney:** \$796
- **Perth:** \$721
- **Brisbane:** \$687
- **Canberra:** \$677
- **Darwin:** \$659
- **Adelaide:** \$629
- **Melbourne:** \$613
- **Hobart:** \$581

Yet, rental supply remains critically tight. Nationally, the number of advertised rentals was 23% below the five-year average in late June, according to Cotality economist Kaytlin Ezzy. That's roughly 29,000 fewer listings than what's typical for this time of year, evidence that while price growth has slowed, the fundamental supply imbalance persists.

The broader context remains concerning. Renters are allocating a growing share of their pre-tax income toward housing, up from 26% in June 2020 to nearly 33% by December 2024. This disproportionate growth in rent, compared to stagnant wage growth, is squeezing household budgets and placing additional pressure on working Australians.

AMP (Australian Mutual Provident) Deputy Chief Economist Diana Mousina credits easing inflation and improved tenant rights in some states, such as New South Wales, for helping to shift the rental landscape. However, it's worth noting that these "positive" government interventions are often seen as band-aid solutions that fail to address the deeper issue: the

federal government's continued failure to expand housing supply and reduce unchecked immigration levels that drive demand beyond capacity.

Cotality's report also notes a subtle decline in rental demand, largely tied to a rise in average household size and a levelling off in Net Overseas Migration (NOM), a critical driver of population growth and rental demand in recent years. While slowing immigration may help reduce housing stress, the lasting effects of recent high migration levels are still being felt in the rental market.

Independent economist Saul Eslake highlighted that the rent component of the Consumer Price Index (CPI), which makes up 6.6% of the total basket, has been one of the biggest contributors to inflation, especially in the services sector. A softening in rents, he argues, would be "much to be welcomed" as it increases the likelihood of inflation remaining within the RBA's 2–3% target band, thus improving the chances for interest rate relief.

Echoing this sentiment, Oxford Economics Australia's lead economist Maree Kilroy noted, "We forecast two further cash rate cuts before the end of the year" as rental and broader CPI growth moderates.

This data comes at a time when average-income earners are being priced out of more than half the suburbs in cities like Sydney and Adelaide, according to recent analyses. As housing affordability deteriorates, many Australians are growing increasingly frustrated with federal policies that appear more focused on maintaining high migration numbers than solving the domestic housing crisis.

Ultimately, the recent softening in rental growth may offer a reprieve. But without serious reforms to boost housing supply and reduce migration-driven demand, any relief may prove short-lived.