



The Week In Real Estate

Mitchells Realty
07 4125 2950
40 Miller St Urangan Qld 4655
www.mitchellsrealty.com.au

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Reason Behind Rate Rise

The Reserve Bank of Australia has made its second consecutive monthly rate rise, revealing it has concerns about how the conflict in the Middle East and rising fuel prices will continue to affect inflation.

Although it predicts that inflation will remain above target for some time, the vote to lift interest rates was only marginally carried, with five members voting for it and four voting against it.

Australia's major banks are already predicting further interest rate pain ahead, with many revising their forecasts this week to predict another rise when the RBA meets again in May.

Canstar data insights director Sally Tindall says major banks are likely to pass on the rise to customers within the next two weeks. The two recent rate rises mean owners with a variable mortgage of \$500,000 will be paying about \$151 more per month.

RBA Governor Michele Bullock says higher petrol prices are not the only reason for the rate rise.

"Inflation was already too high, reflecting the fact that demand is outstripping supply; higher fuel costs will not slow demand enough on their own to address this," she says.

Vacancy Rates Tighten

There appears to be no let-up in the rental market with new data showing that vacancy rates dropped again in February.

While the change was small – from 1.2% in January to 1.1% in February – the new figures reflect a very tight market across Australia.

SQM Research says there are 34,572 vacant rental dwellings nationwide.

In the capital city markets vacancy rates dropped in Sydney, Melbourne, Perth, Adelaide, Darwin and Hobart.

Hobart now has the lowest vacancy rate of 0.5%, followed closely by Brisbane and Darwin which are both 0.6%.

SQM Research managing director, Louis Christopher, says that while some seasonal tightening is expected at this time of year, demand for rental housing is clearly continuing to outstrip available supply.

"Vacancy rates below 1% in cities such as Brisbane, Perth and Darwin highlight just how constrained rental supply remains in parts of Australia," he says.

"Without a meaningful lift in new housing supply and an easing in demand, rental pressures are likely to remain a feature of the market through much of 2026, which may feed into the CPI."



Quote Of The Week

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SQM Research managing director, Louis Christopher



Granny Flats To Solve Crisis

Granny flats could be the solution to Australia's housing affordability crisis, according to the Housing Industry Association (HIA). It is calling for a national framework for granny flats and secondary dwellings to help ease housing affordability pressures.

HIA Executive Director of Planning & Development, Sam Heckel, says there is a growing popularity for modular homes including those available through major retailers.

"(That) proves that many Australians want quick, modern and simple ways to add density to their backyards," he says. A survey of HIA members says builders expect to construct ten times more granny flats in 2026 than were built in 2022.

Heckel says the only thing stopping this solution from reaching its full potential is the patchwork of inconsistent planning rules between councils and state governments.

"We need a nationally consistent framework that allows secondary dwellings or granny flats up to 90 sq m to bypass lengthy planning queues through planning exemptions," he says.

"The Federal Government should take the lead by establishing national design standards. By removing the need for costly, bespoke planning processes, we could unlock thousands of homes in established city suburbs and also regional areas."



Changes For Buyers and Sellers

New rules affecting buyers and sellers have been introduced across four states.

Sellers in New South Wales will soon have to either give a price or price guide when advertising a property for sale with the State Government introducing new laws to improve transparency and crack down on underquoting.

It is backing that up with a boost to fines for those who underquote from \$22,000 to \$110,000 or three times the agent's commission - depending on whichever is greater. It is also doubling penalties for dummy bidding at auctions.

It follows news that the Victorian Government is planning to introduce new rules to make vendors pay for building and pest inspections ahead of a home sale and sellers will have to publicly disclose the sale price of all homes once the deal is unconditional. The aim is to provide a better understanding of how the market is tracking for potential buyers.

Meanwhile in Western Australian Government has expanded its stamp duty concession scheme for off-the-plan and under-construction homes, to include smaller developments, such as duplexes.

And the Tasmanian Government has decided to join the Federal Help to Buy Scheme, which allows eligible applicants to purchase or build a new home with as little as a 2% deposit.



Where Buying Units Beats Renting

Rising rents mean there are still some capital city markets where weekly mortgage repayments are lower or the same as weekly rents. Cotality data shows that the average monthly mortgage repayment for units in some capital cities, such as Melbourne, Darwin, and Canberra, is lower than the median rent.

Head of Research Gerard Burg says rents have risen rapidly in recent years and that growth is picking up again, which is making buying a better option in some locations. "Some apartment markets have seen additional supply come online, which has helped keep a lid on value growth even as rents continued to rise," he says. "When rents rise faster than property values, the cost gap between renting and buying naturally narrows." Inner Melbourne is one such market, where mortgage repayments based on the median unit price are about \$322 a month lower than renting.

In Palmerston in the Northern Territory the difference is \$265 per month, while Darwin is \$188 cheaper and Woden Valley in the ACT is \$25 cheaper. Burg says while there are obviously other costs associated with buying, the financial downside to renting is that renters don't get a return on their investment.