

Housing backlog will keep rents in focus before pressure eases: CBA economists

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Key points

- Advertised rents across the capital cities are growing at 5.7% a year.
- More housing supply and slower population growth should gradually ease pressure on rents.
- CPI rent inflation is forecast to remain around 4% in 2027 before easing.

Australia's rental market should gradually become lessis expected to remain tight over the next few years as before a pickup in new housing supply picks up and slowing population growth slowsgradually begin to ease the pressure, according to new Commonwealth Bank analysis.

CBA Senior Economist Trent Saunders said Australia's national rental vacancy rate was around 1.8%, well below its 2015 to 2019 average of around 2.8%, while annual advertised rent growth across the eight capital cities was 5.7%.

But tThe outlook points to some gradual improvement in the balance between the number of homes available and the number of people looking for somewhere to live, but Saunders said the shortage of housing supply was likely to be the major factor. influencing the rental market for a while yet.

"There is an important distinction between stopping a shortage from getting worse and eliminating it," he said. "Even if construction rises enough to meet new demand, the shortfall accumulated over recent years remains."

"Slower population growth is expected to reduce the pace of new housing demand, while a lift in completions should increase supply, pointing to a moderation in rent growth," Saunders wrote.

More homes should gradually ease pressure

The housing shortage remains the main influence on rents, with the number of households seeking rental properties still high relative to the number of homes available.

Dwelling approvals are expected to rise sharply over the coming year, with completions followingare expected to gradually rise over the coming years in response to previous increases in building approvals. Combined with slower population growth, that should narrow the gap between new housing demand and supply over the next few years.

However, CBA expects it will take longer to make up the housing shortfall that has built up in recent years.

The national vacancy rate is forecast to edge up to about 2% by the end of 2027. That would represent an improvement from current levels, although it would remain below the 2015 to 2019 average of around 2.8%.

Why advertised rents and CPI rents can move differently

The research also highlights an important difference between advertised rents and the rent measure used in inflation data.

Advertised rents show the prices facing households entering a new tenancy. The Australian Bureau of Statistics' Consumer Price Index (CPI) rent measure covers the broader stock of rental properties, including continuing tenancies.

That means changes in advertised rents tend to flow through to CPI rents with a lag of about 12 months.

In the most recent inflation data published by the ABS, rental prices rose 3.6% in the 12 months to August 2026, unchanged since May 2026.

CBA expects that to pick up to around 4% during 2027 as earlier increases in advertised rents flow through, before gradually easing towards 3.5% by the end of 2028.

Rental conditions vary around the country

The national picture also masks significant differences between states.

CBA's analysis finds that areas where population growth has run ahead of growth in the housing stock have generally recorded stronger rent increases.

Western Australia stands out, with population growth exceeding growth in the dwelling stock by almost 10% since late 2019. Queensland and South Australia have also recorded relatively large gaps between population growth and new housing supply.

Tax changes expected to play a smaller role

The report also examines changes to the tax treatment of residential property investors.

From 1 July 2027, negative gearing will generally be limited to new residential properties, while existing investments bought before the government's 12 May 2026 announcement are protected under the previous arrangements. Changes to capital gains tax will also take effect from July 2027.

CBA's analysis suggests those changes are likely to have only a small direct impact on rents.

One reason is that an investor selling a rental property does not necessarily can reduce both rental supply without also reducing and rental demand. If the property is bought by a renter who becomes an owner-occupier, there is one fewer rental property but also one fewer household looking to rent.

The research also suggests higher investor costs are may not be automatically passed through to tenants because landlords still compete with other rental properties and rents remain constrained by what prospective tenants are willing and able to pay.

Instead, CBA expects much of the adjustment in investor returns to come through lower dwelling prices and pushing higher rental yields higher, rather than substantially higher rents. The eight-capital-city rental yield is forecast to rise from around 3.75% in mid-2026 to about 4.5% by late 2027, which Saunders said should progressively help stabilise investor demand.

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