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Rate hike adds to housing costs

Australian Unions call on landlords to absorb today's interest rate rise instead of passing it on to renters.

The Reserve Bank's decision adds to housing costs, which is among the biggest cost-of-living pressures facing working people.

The impact of higher interest rates will fall hardest on renters and home buyers, while professional landlords remain largely shielded through negative gearing, capital gains tax discounts and their ability to pass on higher borrowing costs to tenants through higher rents.

Housing costs are one of the biggest contributors to cost of living pressures, and today's Reserve Bank decision to lift the cash rate will only add to those pressures.

Landlords with multiple properties will be able to raise rents in response to the rate rise, while also claiming higher costs as tax deductions.

As a result, the Reserve Bank's decision to lift the cash rate is likely to increase housing costs for working Australians.

The impact of higher interest rates on renters and home buyers strengthens the case for limiting negative gearing to a single investment property and reducing the capital gains tax discount from 50% to 25%, under a five-year phase-out plan.

Quotes attributable to ACTU Secretary, Sally McManus:

"Housing is one of the biggest cost-of-living pressures, and today's rate rise will make that worse for renters and home buyers.

"Professional landlords should absorb these higher interest rate costs and not pass them on to renters, who are already struggling – especially given landlords are already benefiting from high house prices and the current tax settings.

"Working people, who are renting, are subsidising landlords. They pay higher effective tax rates than landlords who benefit from negative gearing and capital gains tax discounts. It's not fair to now turn around and slug working people with higher rents because of today's rate rise.

"It's unfair that a first homebuyer will now pay higher repayments as a proportion of their income, than professional landlords who can claim those costs as deductions. This only makes housing even less affordable for young Australians and just increases inter-generational inequality.

"Average workers like nurses and teachers can't afford the rents to live in the communities they serve, and this decision will only make that worse."

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Media Contact: Cameron Warasta (0447) 159 467