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## **HOUSING SUPPLY SQUEEZE FUELS INFLATION**

The squeeze on rental markets and increases in property rates and charges has put pressure on inflation.

Inflation figures released today for the September 2006 quarter showed a 0.9 per cent increase in the headline Consumer Price Index, taking the annual rate down from 4.0 per cent to 3.9 per cent. More importantly the Reserve Bank's weighted median index increased from 3 per cent in the June quarter to 3.2 per cent, above the RBA's target band of 2 – 3 per cent, signalling that a rate rise is imminent.

Australia's peak building industry body, HIA, said that unfortunately a rate rise in response to today's outcome will only serve to exacerbate some of the key housing cost pressures.

HIA's Executive Director, Housing and Economics, Mr Simon Tennent, said the pressure on housing costs, a key driver of the inflation outcome, stemmed from a lack of supply.

"Rents (contributing 1 per cent) and Property rates and charges (contributing 5.6 per cent) both increased significantly in the September quarter," Mr Tennent said.

"This lack of housing supply is placing upward pressure on rental costs and a further rise in interest rates will be another blow to those within the private rental market," Mr Tennent said.

"Furthermore, higher charges on new housing are eroding housing affordability," Mr Tennent added.

"This vicious cycle of higher rates putting upward pressure on housing costs means further downside for housing at the very time when an emerging recovery is urgently required."

On a city by city basis, annual headline inflation was 4.9 per cent in Darwin, 4.8 per cent in Perth, 4.4 per cent in Brisbane, 4.2 per cent in Canberra, 3.8 per cent in Adelaide, 3.7 per cent in Sydney, 3.4 per cent in Melbourne, 4.2 per cent in Perth, and 3.3 per cent in Hobart.

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