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Increase in CPI confirms affordability pressures

More bad news for the more than 1.2 million Australian households in mortgage or rental stress with the release of today's 1 per cent rise in the CPI figure. Rents increased by 1.6 per cent during the September quarter.

HIA has maintained concerns that increases in rents in 2007, a consequence of additional supply costs, other utility charges and a lack of incentives for investment in new residential property have added to the inflationary woes currently being experienced.

HIA's Managing Director, Dr Ron Silberberg said, there is an urgent need for investment incentives for new affordable rental accommodation. That is why HIA has called for a doubling of the depreciation allowance on new 'positively geared' affordable rental accommodation.

Double digit percentage increases in household rents have been a feature of 2007. However, despite these increases investment in new residential property remains sluggish.

"The decline in residential investment is in part a consequence of the growth in taxes and charges levied on new dwellings. Also contributing to the decline in residential investment are solid returns from superannuation funds and international stock markets," said Dr Silberberg.

"Quite simply, there are too many taxes and charges levied on new dwellings, that are pushing investment elsewhere and forcing investors to charge higher rents," said Dr Silberberg.

HIA and NATSEM have undertaken research that projects a further 250,000 households will be in rental stress by the year 2010. One-in-two private renting households will be in rental stress in less than three years.

The National Housing Alliance of ACOSS, National Shelter, The Community Housing Federation of Australia and the ACTU and HIA has developed a National Affordable Rental Incentive. The incentive is aimed at boosting the supply of new affordable rental housing by at least 15,000 dwellings each year.

"The private rental market is a disaster zone and requires each level of government to make a commitment to repairing the availability of rental housing," said Dr Silberberg.

The 2006 Census confirmed that the worst hit by the rental affordability crisis are young Australians and those earning less than \$75,000 per annum.

"Tax cuts promised by both sides of federal politics are not enough. Only initiatives that reduce taxes and charges on the supply of new dwellings and incentives for investment in affordable rental accommodation will provide the assistance that is now desperately needed," said Dr Silberberg.

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