

MEDIA RELEASE

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Interest-rate hike a bitter blow for housing supply

CEO of Urban Taskforce Australia, Tom Forrest, said that today's RBA decision to increase the cash rate to 4.1% is a bitter blow for home buyers and, worse, it will act as a hand brake on housing supply.

Increasing interest rates will increase the cost of housing. The cost of land purchase will rise. The cost of higher interest paid on the borrowings needed to construct new homes will rise. All this pushes up the price of new homes and, adds to inflation and ironically, adds pressure to the RBA to increase interest rates!

While other central banks in major western economies have chosen to hold firm on interest rates, the RBA (in a close split 5-4 vote) has gone with the housing sector killing option.

The message to Treasurer Jim Chalmers is clear. Cut government spending across the board and refocus expenditure priorities on housing related infrastructure.

More importantly, scrap wish-list projects like high-speed rail and increase funding for basic infrastructure like roads and water. Productivity growth has all but stopped in Australia with nothing more than an A.I.-led hope and prayer currently on offer to drive the economy forward.

Improving productivity will put downward pressure on interest rates. Reducing government expenditure will put downward pressure on interest rates. Focussing infrastructure expenditure on housing our growing population will put downward pressure on interest rates.

By contrast, tinkering with Capital Gains Tax concessions would be a further blow to housing feasibility. With new homeowners being squeezed from the market by interest rate hikes, a reduction in capital gains tax concessions would force investors out too. We all want to see increased supply drive prices lower, but no-one wants a property sector crash!

The RBA has decided that, on balance, underlying inflation was on the rise. While the Albanese Government can do little about the impact of the war in the Middle East, it must immediately focus on the things it can control to address this underlying inflation.

End

The comments and analysis above can be attributed to Tom Forrest, CEO, Urban Taskforce Australia

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*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*