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Dear %%First Name%%

The Reserve Bank today increased rates by 0.25% - the sixth rise since October.

Fuelling this decision which sees the cash rate increase to 4.50% is concern over rising inflation and surges in property prices.

The property market is looking extremely buoyant with growth being evidenced as a direct result of the government stimulus via the first home buyers boost scheme and low interest rates enjoyed last year.

RPData annual figures show overall growth assessed on all types of dwellings and regions nationally, at 13% and annual growth of more than 10% in all capital cities. Growth in Melbourne was particularly strong, recorded at 27.7% while the next highest growth centre was in Sydney at 21%.

In the March quarter alone the Australian Bureau of Statistics house price index showed the average house price rose by 4.80% in the nation's capital cities. These sorts of figures are showing growth rates which exceed that seen during the housing boom in 2003.

Clearly undersupply of housing is still an issue driving these figures. Many economists see real estate investors replacing first home buyers in the market which will underpin demand and so maintain the growth in this sector- with the latest rise in rates being absorbed.

Whether or not the increase in rates will slow the growth rates is still to be seen, but it has definitely been a main factor in the RBA's reasoning today. The RBA has also hinted that they feel rates are now set at "average levels" which was their target when this round of rate rises commenced late last year. So providing



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inflation stays under control this may be the last rate rise for the moment.

If you would like to discuss anything to do with today's news, please do not hesitate to contact us.

Until next time,

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