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Media Release

National building costs rose 83% faster than CPI since Millennium

Reed Construction Data figures highlights that inaction increases building costs

28 March 2007 – Building inflation has run at a rate 83% greater than the rate of the consumer price index (CPI) over the seven years to December 2006, according to leading building information provider *Reed Construction Data*.

Reed Construction Data's *Cordell Housing Price Index* (CHIP index) for Australia rose by over 46% in the seven years to December 2006, compared to a CPI increase of 25% for the same period.

The CHIP index tracks the cost of building a 119m² single storey, 3 bedroom house with concrete slab floor, brick veneer walls (cavity brick in WA) and concrete tile roof. The Index measures the increase in 'green fields' construction costs, though it is generally accepted that repairs are more expensive. However, it does act as a good guide to general building costs, including renovations and maintenance.

"Whilst building material costs have risen significantly during this period, the real driver has been the increase in the cost of labour because of the shortage in skilled workers." said Mike Bartlett, National Costing Manager of Reed Construction Data.

The data shows that attempts by owner corporations (body corporates) to save money for much needed renovations and refurbishments are having limited impact, as building inflation erodes the purchasing power of the savings. The collective saving plan for a group of apartment owners – known as a sinking fund – is built by imposing regular levies on the owners.

Bill Debney, managing director of Strata Finance, says owners who put off work may be making the final cost much greater: "delaying work raises costs in two ways. Whilst the saving fund is built up the building continues to deteriorate so the job becomes bigger. And the costs of building – labour, material, plant hire – are all rising more quickly than general costs."

The usual response to a gap is for owners corporations to resort to using special one-off levies to pay for work. Alternatively, owners corporations put off necessary work until more funds are saved, chasing ever growing building costs.

Debney added: "the lesson is do not delay. Building a sinking fund is admirable in theory, but ultimately they are a bottomless pit. If work is required, devise and act on the plan immediately. Considering alternative sources of finance may actually save you money and add value to your building today."

Strata Finance recommends that owners ask their strata manager to develop a capital management plan, and consider using strata financing as part of the plan.

About Strata Finance

Strata Finance's single mission is to provide non-mortgage loan funds to owners corporations (body corporates) for major repairs, maintenance and upgrade expenditure on building common areas.

Strata Finance loans require no personal guarantees, liens or mortgages for individual owners - with no effect on an individual's credit rating.

As Strata Finance loans are not secured by a mortgage over the common property, its interest rates should not be compared to home loan mortgage rates where the security of their own property is used by homeowners. Strata Finance, however, has many benefits over this type of funding and others. See

<http://www.stratafinance.com.au/compare.html>

About Reed Construction Data

Reed Construction Data, formerly known as Cordell Building Information Services, is part of one of the world's largest information groups: the UK based Reed Elsevier. The company has been researching construction activity and building costs for over 35 years.

Further information: www.stratafinance.com.au and www.reedconstructiondata.com.au

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