

April 4, 2007

SENSIBLE DECISION ON RATES - HIA

Today's decision to keep official interest rates on hold has been welcomed by Australia's builders and aspiring home buyers.

With a recovery in new home building yet to emerge in the face of extremely low housing affordability, the rates-on-hold decision is appropriate and correct.

Australia's peak building industry body, HIA, said that the sensitivity of households to higher loan repayments was already the highest ever seen without a further hike in rates.

There is a significant number of Australian households in housing stress and a further lift in interest rates would only exacerbate this situation.

HIA's Chief Economist, Mr Harley Dale said that housing affordability hit a record low at the end of last year.

"A rate rise today would have sent affordability even lower at a time when the artificial regulatory constraints to home ownership already represent Australia's greatest social challenge," Mr Dale said.

"Low housing affordability has so far prevented a recovery in new housing. Any chance that we might see the emergence of such a recovery over the course of 2007 would be snuffed out by a further increase in mortgage rates," he added.

FURTHER INFORMATION

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