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Rate Is Right for Home Purchase

The HIA, Australia's largest building industry association, says that the further 1 percentage point cut to interest rates announced today by the Reserve Bank of Australia will help more aspiring first home owners live the dream.

HIA Chief Executive - Policy, Chris Lamont said the reduction in official interest rates now totaled 3 percentage points since September.

"Rate cuts are providing mortgage relief to existing home owners but importantly helping more first home buyers purchase a home of their own. Rate cuts combined with the First Home Owners Grant is making homeownership a reality for a cohort who had all but given up," said Chris Lamont.

"The substantial drop to interest rates lifts the borrowing capacity of entry level buyers who are now also armed with a \$21,000 FHOG. We are seeing a new group of first home buyers. These are people in their thirties and forties who are looking to take advantage of the interest rate cycle and the boost to FHOG," Chris Lamont said.

For an entry level house and land package bought with a 20 per cent deposit, a first home buyer is looking at a saving on average of around \$440 a month compared to where mortgage rates were back in August.

"Activity in the residential construction sector is essential to the Australian economy .It is therefore critical that local and state governments remove red tape and other administrative barriers that may prevent first home buyers from purchasing a new home before the extension to FHOG runs out in June next year," Chris Lamont said.

The 1 percentage point reduction in interest rates that the Reserve Bank delivered today translates into an additional saving of \$204 per month on a \$300,000 mortgage or over \$2,450 per annum.

For further information:

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