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New Interest Rate Cycle Provides Some Hope

The HIA, Australia's largest building industry association, says that falling interest rates over the next 12 months may provide some assistance in pegging the gap between underlying and effective demand for housing.

HIA Chief Executive - Policy, Chris Lamont said over the next twelve months a new interest rate cycle now look certain to emerge and despite global uncertainties interest rates look certain to fall.

"Housing affordability remains far too low, however, interest rate cuts over the next twelve months may provide some first time opportunities for some first home buyers. Increases in interest rates were the final straw for many current and aspiring home buyers, rate cuts will provide some necessary relief," said Chris Lamont.

In welcoming the drop in official interest rates, HIA noted that a drop in interest rates will provide a glimmer of hope for both current mortgage holders and aspiring first home buyers looking to enter the housing market.

"Notwithstanding uncertainties in the economy, further rate cuts over the next twelve months provide greater opportunities for Australians to get into home ownership. Put simply, if you can afford to get into a home of your own don't delay," Chris Lamont said.

A full percentage point reduction in mortgage interest rates over time means a saving of \$215 per month on a \$300,000 mortgage or almost \$2,600 per annum.

Mortgage Repayment Savings

Loan Size	Current Monthly Repayment	100 bps Reduction	
		Monthly	Annual
\$200,000	\$1,660	\$143	\$1,719
\$300,000	\$2,490	\$215	\$2,578
\$400,000	\$3,320	\$286	\$3,438
\$500,000	\$4,150	\$358	\$4,297

*Assumes 30 year loan and standard variable rate (RBA)

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