

6 April 2010



**MEDIA RELEASE**

## Rate Rise Hinders Home Building

The Housing Industry Association (HIA), Australia's largest building industry organisation, says the decision by the Reserve Bank of Australia (RBA) to lift interest rates today reduces the chances of a sustained new home building recovery.

"The current signals for new home building highlight the not inconsiderable risk that the construction up-cycle runs out of steam before the end of 2010," said HIA Chief Economist, Harley Dale.

"The key action to prevent undue upward pressure on existing home values (and rents) is to ensure a sustainable boost to the new housing stock, because that reduces Australia's chronic shortage of dwellings.

"Higher interest rates doesn't advance that cause, indeed it hinders it, as does the current severe lack of finance being extended to the residential development sector," Harley Dale said.

The Reserve Bank of Australia has now hiked interest rates five times in six meetings, pushing up standard monthly mortgage repayments for first home buyers by \$247 per month.

Typical Repayment for FHB New Home - \$300,000\*

	<i>Interest Rate</i>	<i>Monthly Repayment</i>
September 2009	5.80%	\$1,760
April 2010	7.15%	\$2,026
Change	1.35 ppts	\$266
RBA change	1.25 ppts	\$247

Source: HIA Economics

\* 30 Year Standard Variable Interest Rate

### For further information:

Harley Dale, Chief Economist 0414 994 186

Ben Phillips, Senior Economist 0424 147 321