

May 3, 2006

RATE RISE WILL HURT HOUSING

Today's move by the Reserve Bank to raise official interest rates is both unwelcome and unjustified.

Australia's peak building industry body, HIA, said that today's decision will not only add further pain to household budgets that are already straining under the weight of high petrol prices but will snuff out the current weak recovery in housing affordability.

HIA's Executive Director of Housing and Economics, Mr Simon Tennent said that higher interest rates at this stage of the new building cycle will be a major blow for Australia's new home builders, materials manufacturers and suppliers.

"The housing industry is just recovering from a lengthy downturn in activity and this rise will serve little purpose other than undermining confidence within the industry and unnecessarily punishing mortgagees," Mr Tennent said.

"With housing affordability still near record lows the additional cost brought about by this interest rate rise will keep home ownership out of the reach of many families," Mr Tennent said.

"It is estimated that today's rise will add up to \$20 per fortnight to an average mortgage and exacerbate the current slow down in new home building and new home sales that is occurring in most states," he added.

"Monetary policy is a very blunt instrument and we call on the Reserve Bank to allow this move to be absorbed into the economy before considering further rises."

FURTHER INFORMATION

Please contact Mr Simon Tennent, Executive Director Housing and Economics on 0419 445 557

What Effect a 0.25% Rise Has on Average New Fortnightly Mortgage Repayments

	Average New Loan	Fortnightly Mortgage Repayments		\$ difference
		7.30%	7.55%	
NSW	\$249,800	\$836.58	\$855.27	\$18.69
VIC	\$216,800	\$726.06	\$742.28	\$16.22
QLD	\$216,100	\$723.72	\$739.88	\$16.16
SA	\$173,900	\$582.39	\$595.40	\$13.01
WA	\$194,100	\$650.04	\$664.56	\$14.52
TAS	\$157,300	\$526.80	\$538.56	\$11.76
NT	\$178,800	\$598.80	\$612.18	\$13.38
ACT	\$228,200	\$764.24	\$781.31	\$17.07
AUS	\$216,900	\$726.40	\$742.62	\$16.22