media release

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Rate Hike Hits First Home Buyers

"The Reserve Bank of Australia has now hiked interest rates four times in five meetings pushing up standard monthly mortgage repayments for first home buyers by $216 per month," said Stuart Clues, HIA Executive Director.

"HIA recognizes the need to return interest rates to normal levels over the course of economic recovery but cautions against haste given the still considerable concerns over the state of the global economy.

"Interest rate increases provide further bad news to first home buyers. The removal of the first home buyers boost and interest rate increases in the December quarter of 2009 saw a record drop in affordability according to the HIA/CBA Affordability Index.

"First home buyers in 2009 will have budgeted for moderate interest rate increases through 2010. Unnecessarily large increases will stretch these budgets to the limit and drive away potential new first home buyers.

"The impact of government stimulus in housing will fizzle quickly over 2010 and maintaining a low interest rate environment will be fundamental to a much needed new home building recovery extending beyond first time buyers and social housing provision.

"Without further, strong growth in residential construction through 2011 and 2012, Australia's shortage of housing stock will become even more acute. That situation would deliver undue upward pressure on rents and on existing home values, precisely the opposite outcome to what is desired," said Stuart Clues.

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

	Interest Rate	*Monthly Repayment*
September 2009	5.80%	$1,760
March 2010	6.90%	$1,976
Change	1.1 ppts	$216

Source: HIA Economics

* 30 Year, standard variable interest rate

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