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# Low Rates Offer Support as Housing Cycle Turns

"As the housing markets in Melbourne and Sydney continue to cool it will be increasingly important that households have clear guidance on any potential changes they may face in home lending," said Geordan Murray, HIA Senior Economist.

"The RBA has again resolved to leave the official cash rate on hold at 1.5 per cent, noting that the current settings continue to offer appropriate support for the Australian economy.

"Despite the stable cash rate, borrowers are still wary of any potential hike in their borrowing costs.

"In the post GFC era lenders have frequently adjusted home loan rates independently of movements in the official cash rate in order to ensure that their lending rates more accurately reflect their true cost of capital.

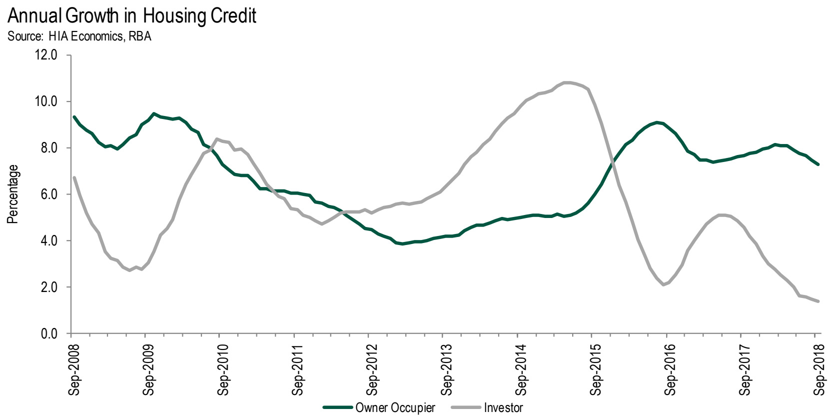
"Over the last couple of years there has been an additional degree of complexity. Lenders have been squeezed by regulators which led to a degree of credit rationing and higher borrowing costs for investors and those wishing to borrow in interest only terms.

"APRA's interventions were appropriate at the time that they were implemented – acting to curb growth in risky lending and the by-product was to cool the housing market. The housing downturn now has its own momentum and does not need additional assistance from the regulator.

"Recent figures published by the RBA show that growth in housing credit to investors has dropped to a historic low and owner-occupier lending growth is also now slowing.

"The housing market is now in a very different position to the time when APRA imposed the restrictions. We have already seen the speed limit on investor lending dropped but other restrictions remain.

"It will be important for the RBA, APRA and the federal government to monitor developments in the housing market and ensure that we have appropriate policy settings to ride out the cyclical downturn smoothly," concluded Geordan Murray.

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