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## **RBA IMPROVES HOUSING AFFORDABILITY IF BANKS PASS ON CUT**

The RBA's decision to cut the official interest rate to a historical low of 0.10 per cent will improve housing affordability provided banks pass on the cut, according to the Real Estate Institute of Australia (REIA).

REIA President Adrian Kelly said if the full 0.15 percentage point decrease was passed on to mortgage rates, housing affordability - in the context of other factors remaining the same - would improve by 1.7 per cent.

"The RBA is obviously throwing the kitchen sink at this pandemic and today's decision will definitely benefit home buyers," he said.

"For the June quarter of 2020, REIA's Housing Affordability Report showed that housing affordability had already improved with the proportion of income required to meet loan repayments decreasing to 34.5 per cent, a decrease of 0.2 percentage points over the quarter.

"Today's interest rate cut, if passed on, would see the proportion of income required to meet loan repayments decreasing to 33.9 per cent.

"The personal income tax cuts announced in Budget in October will further improve affordability for many home buyers.

"Yesterday's housing finance data showed that September recorded the fourth consecutive monthly increase and the highest level since October 2009 on the back of improving consumer sentiment about purchasing a home, particularly amongst first home buyers.

"Today's interest rate cut will add to buyer interest."

REIA's next Housing Affordability Report will be released on 2 December.

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