

For immediate release – 3rd May, 2022

REIA URGES CALM ON INTEREST RATE RISE: STICK TO THE PLAN

Real Estate Institute of Australia (REIA) is urging calm with a rate rise to 0.35% which is anticipated to have a moderate impact on housing affordability Australia-wide.

REIA President, Mr Hayden Groves, said that the increase in the cash rate will have modest impacts on affordability with banks and mortgage holders well prepared.

“Wages are expected to increase offsetting a rise in home loan payments where they are passed on by banks and market indications are that house prices will continue to stabilise.

“Aspiring home buyers will not be facing the extreme growth experienced since the onset of the COVID-19 pandemic so there is no need for those hunting for a home to put those plans on hold.”

Mr Groves added that the increase is the first since November 2010 and that banks and mortgage holders are well prepared for a higher interest rate environment.

“If the cash rate rises to the 2.1% forecast, the proportion of median income required will rise by 6.2% which most financial institutions would have already stress tested applicants for such rises.

“That being said, with market economists forecasting a cash rate of at least 2.0% by mid next year, if wages don’t increase it could be a completely different scenario which will see affordability at its worse in more than a decade,” he cautioned.

Mr Groves said the rise in interest rates reiterates the urgent need for a national plan that addresses housing affordability and supply which should be supported by both Federal and State Governments.

“While we support current government policies being presented during the election campaign and previous plans from the current government, prohibitive taxes such as the extremely high stamp duty payments are a key concern in limiting supply and affordability,” he said.

Mr Groves also noted that the Budget 2022 provided tax relief to low- and middle-income earners meaning disposal income is set to increase.

ENDS

CASH RATE	.35	.40	.50	2.10
PROPORTION OF MEDIAN INCOME REQUIRED* (%)	.376	.378	.381	.432
CHANGE IN AFFORDABILITY COMPARED WITH DECEMBER 2021 (Percentage Points)	- 0.6	-0.8	1.10	6.20

**Based on REIA’s December 2021 HAR and assumes no change in median household income or mortgage size*

Media Release



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