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FURTHER CUTS IN INTEREST RATES JUSTIFIED

Real Estate Institute of Australia (REIA) President, Mr Peter Bushby says the housing figures released today by the Australian Bureau of Statistics (ABS) show there's only been a modest response to the interest rate cuts of 2012.

Housing finance figures for December 2012 show, in trend terms, that the number of finance commitments decreased by 0.1 per cent, following modest increases late last year.

If refinancing is excluded, the December figures are flat following a rise of 0.2 per cent in November.

"In trend terms, decreases were recorded in New South Wales, South Australia, Tasmania and the Northern Territory, with the largest decrease in New South Wales, down 1.1 per cent, in trend terms. Increases of 0.2 per cent and 0.3 per cent respectively were recorded in Victoria and Queensland," said Mr Bushby.

"A decrease was evident for the construction of new dwellings, down 1.1 per cent in trend terms, whilst rises were recorded for the purchase of established dwellings (up 0.1 per cent) and the purchase of new dwellings (up 0.4 per cent)."

"The number of first home buyers, as a percentage of total owner occupied housing commitments, decreased to 14.9 per cent in December 2012. This is the lowest since 2004 and compares to the long-run average proportion is 20.2 per cent."

"This is of particular concern as some states have reduced their assistance to first home buyers who wish to purchase established dwellings."

The value of investment housing commitments rose by 1.3 per cent, in trend terms, in December which follows on from similar increases in late 2012.

"These housing finance data figures indicate that a further reduction in interest rates is justified. With inflation within the RBA's target zone, I hope the Reserve Bank Board members act in the interest of home owners when they meet in March," Mr Bushby concluded.

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