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Media release

Tuesday August 6 2013

RATE DROP OFFERS MORTGAGE RELIEF TO HOMEOWNERS

The Real Estate Institute of Australia (REIA) says the Reserve Bank of Australia (RBA) has provided homeowners with mortgage relief by cutting the official interest rate by .25 percentage points to a historic low of 2.5 per cent.

The RBA has slashed official rates by a total of 2.25 per cent since this cutting cycle began in November 2011.

REIA President Peter Bushby says, “If the banks pass it on in full, the average loan repayment would be reduced from $2,106 to $2,006, or by $100 per month.”

“The average loan repayment would be $463 per week and that is $149 per month less compared to the figure recorded a year ago.”

“Housing affordability would improve by 4.7% with the proportion of the median family income to meet average loan repayments decreasing from 29.9% to 28.5%.”

This is the best level of housing affordability since the December quarter 2009 and will be welcomed by investors who have been returning to the market in greater numbers over past months,” added Mr Bushby.

“However, with state governments slashing the first home owner grant for those buying existing dwellings, entering the market is still tough.”

RBA governor Glenn Stevens signalled the likelihood of further interest rate cuts when he expressed concerns about the economy's post-mining boom transition last week.

Mr Bushby says that building more housing to meet the underlying demand would be an important part of lifting the economy as Australia moves into its next phase post the mining boom.

“There will be no single magic bullet. Improving Australia’s productivity, the construction of new dwellings where demand is highest, and ensuring that entrepreneurship in small business is rewarded rather than being swamped in paperwork and compliance costs, will help stimulate the sectors of the economy that will grow to help fill the gap left by mining investment,” concluded Mr Bushby.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or interview opportunities, please contact:

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