

02/05/10 - RBA decision bodes well for Australian property market

The Reserve Bank of Australia on Wednesday made the decision to hold an interest rate rise. This is a welcomed reprieve for the real estate industry, and will be appreciated by many families and businesses.

Due to previous rate rises, banks have increased their interest rates by several points over recent months.

Glenn Stevens Governor of Monetary and Policy Decision said since information about the early impact of these increases is still limited. The Board judged it appropriate to hold a steady setting of monetary policy for the time being.

Managing Director of Harcourts International, Mike Green, said to ensure the market is able to withstand further increases in the future, the RBA needed to make the decision they did.

"It would have been premature to count our economy strong enough to endure four rate rises in less than six months.

"This has already been reinforced by the weaker retail sales figures for December, which were released today."

"The number of people already in "mortgage distress" is high, and growing, so this would have worsened many householders' situations," he said.

Economists have said it would have increased the average repayment on a \$300,000 mortgage by \$50 per month.

While this would have been the case, the real issue would have been adding this extra \$50 to the cumulative rise over the last 12 months, equalling nearly \$300 a month.

"The real estate market is still only in the recovery stages from the downturn of the past eighteen months.

"Sales nationally in January were lower than expected. Although ahead of last year's figures it was only a slight increase," Mr Green said.

"There has been a significant drop in first home buyers after the first home owner's grant (FHOG) was cut right back last year.

"On the flipside, the low interest rates are encouraging investors back into the market, so we have seen investor numbers lift significantly in the last couple of months," he said.

"The Australian property market has been experiencing consistent growth over the past six months, and I believe we are going to see a steady year ahead in terms of investment," he said.

The property industry is an important element to the Australian economy and the RBAs decision was certainly a positive move for ensuring the moderate rate of recovery continues.

SOURCE: <http://www.rba.gov.au/media-releases/2010/mr-10-02.html>