

# HOUSING AUSTRALIA

Affordable Housing Bond Aggregator – Market update  
8 November 2023

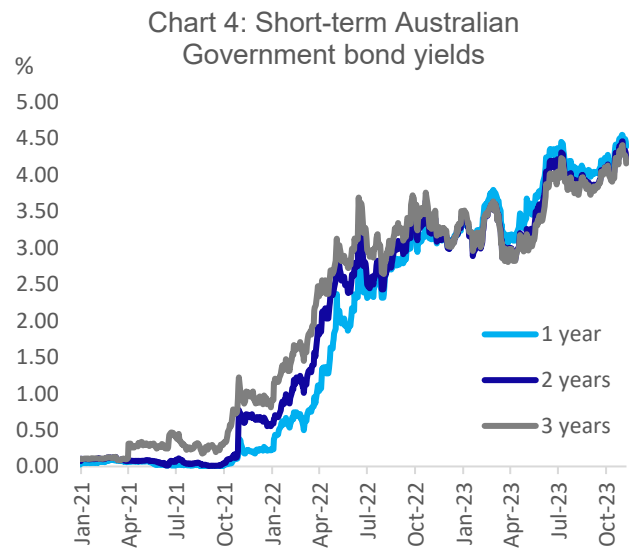
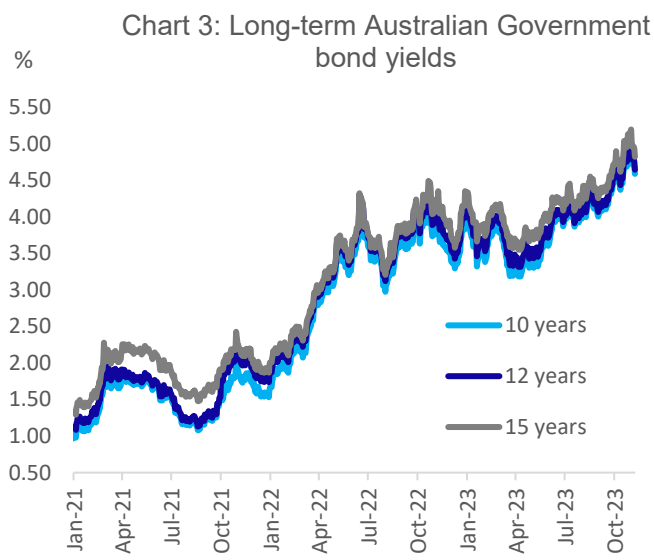
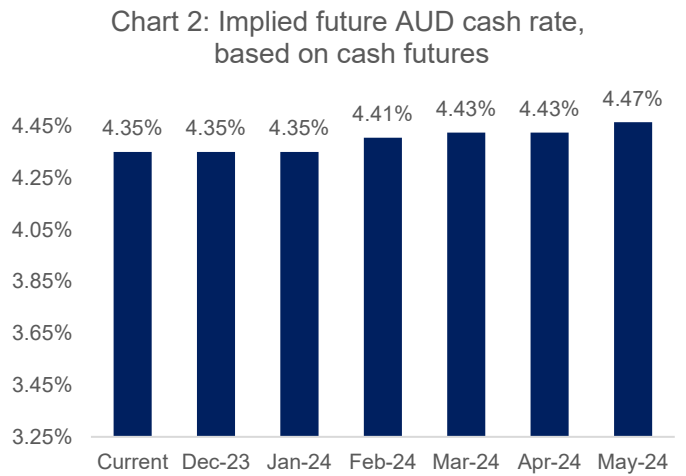
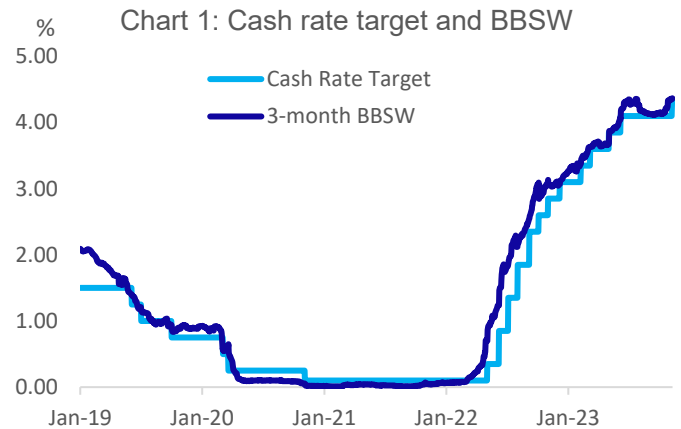


## Market commentary

The Reserve Bank of Australia (RBA) raised the cash rate by 25 basis points to 4.35% on 7 November 2023 (Chart 1). Governor Bullock’s Statement noted that inflation “is still too high and is proving more persistent than expected.” The RBA will continue to assess “whether further tightening of monetary policy is required.” Current pricing in the cash futures market indicates there is a chance of one more increase to the cash rate in the first half of 2024. (Chart 2).

Bond yields have been volatile recently following heightened geopolitical risks from the Middle East conflict escalating in October 2023. 3Q Trimmed Mean CPI increased by 5.2% year-on-year and 1.2% quarter-on-quarter, which was higher than expected. Labour market conditions remain tight and housing prices continue to rise nationally. Household consumption and the global economic outlook continue to be a focus for the RBA.

Long term bond yields, which determine Housing Australia’s cost of funding and the interest rates we can offer the community housing sector have increased month-on-month (Chart 3). The 10-year Government bond yield is currently 4.59%. As of 8 November 2023, we estimate Housing Australia’s 10-year cost of borrowing to be 5.04%. The Housing Australian premium is approximately 45 basis points above the 10-year Government Bond yield.



The following table shows the estimated cost of long-term fixed and floating rate funding for Housing Australia as of 8 November 2023. The interest rates that Housing Australia can offer registered Community Housing Providers (CHPs) for lending to established properties typically ranges from 0.65% to 1.00% above Housing Australia's funding cost (excluding establishment fees) depending on the nature and terms of the loan. Higher margins apply for construction lending.

| <b>Housing Australia's estimated AHBA cost of funds</b> | <b>10 years</b> | <b>12 years</b> | <b>15 years</b> |
|---|-----------------|-----------------|-----------------|
| Fixed rate cost of funds                                | 5.04%           | 5.15%           | 5.38%           |
| Floating rate cost of funds (3M BBSW plus)              | 0.30%           | 0.33%           | 0.50%           |
| 3-month BBSW  | 4.37%           | 4.37%           | 4.37%           |

CHPs interested in AHBA finance should speak to their Housing Australia Relationship Manager for information on the relevant margin applicable to their project.

#### **Note**

The source of all market data in this report is Bloomberg.

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