

HOUSING AUSTRALIA

Affordable Housing Bond Aggregator – Market update
5 May 2025



Market commentary

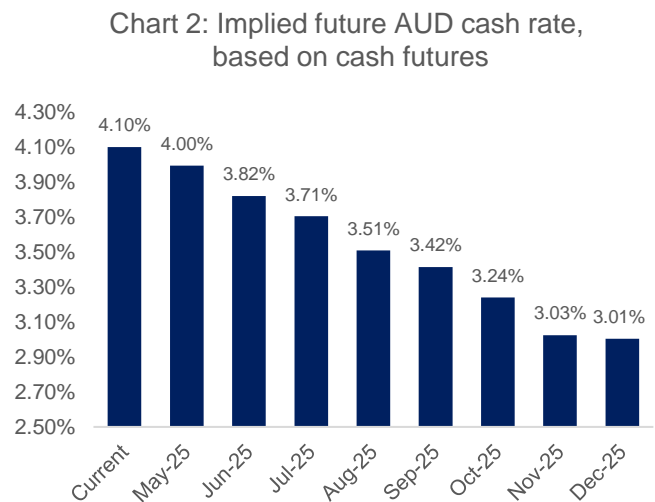
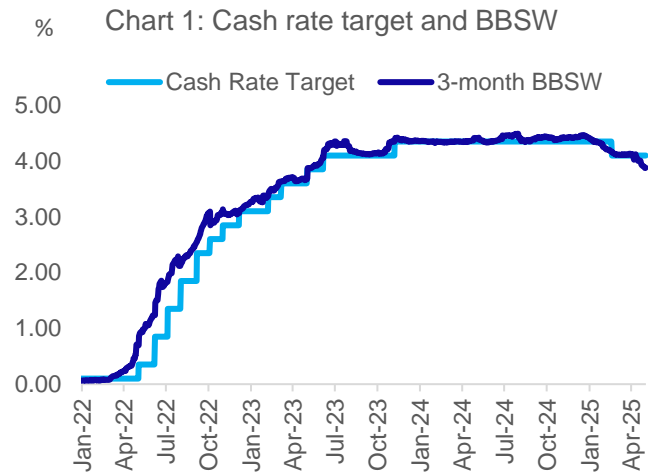
The RBA held the cash rate steady at 4.10% on 1 April 2025 following the first meeting of the new Monetary Policy Board. The RBA decision noted that underlying inflation is moderating since peaking in 2022 but remains cautious on the outlook. The Board also stated that “monetary policy is well placed to respond to international developments”, recognising the uncertain macro-economic backdrop on tariffs and trade. The next RBA decision will be on 20 May 2025. The AUD cash rate futures market is pricing in a 0.25% rate cut at the next meeting and the potential for further 2-3 rate reductions in 2025.

Markets were volatile during the month of April 2025 as global markets reacted to the introduction of tariffs from the USA on “Liberation Day”. The substantially larger than expected tariffs introduced caused substantial volatility in financial markets with the US stock market indices falling close to 20% from its recent peak in February. The markets have since stabilised and the stock markets recovered somewhat with the Trump administration back-tracking on some of the tariffs introduced and postponing the majority of the tariffs for 90 days, while negotiations take place.

Interest rates tracked higher in the US, both due to fear of potential inflation from tariffs but also a tariff induced sell-off in long term bond holdings, as long-term investors seemed to diversify somewhat away from US assets.

The Australian unemployment rate was steady at 4.1% in March 2025. The quarterly CPI indicator for Q1 2025 came in at 2.4% year-on-year in line with expectations, while the CPI trimmed mean inflation measure preferred by the RBA, came in at 2.9% for the quarter. This measure was 0.1% higher than market expectations but in line with the forecasts by the RBA and the financial market are now pricing a close to 100% certainty of a 0.25% rate cut at the RBA meeting on 20 May 2025.

Long term bond yields, which determine what Housing Australia can offer the community housing sector have decreased month-on-month (Chart 3). As at 30 April 2025 the 10-year Government bond yield was 4.16%. This equates to an estimated 10-year cost of borrowing for Housing Australia of 4.63%. The Housing Australia spread is approximately 47 basis points above the 10-year Government Bond yield.



The following table shows the estimated cost of long-term fixed rate funding for Housing Australia as of 30 April 2025. 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.

Housing Australia's estimated AHBA cost of funds 10 years 12 years 15 years

Fixed rate cost of funds	10 years	12 years	15 years
	4.63%	4.76%	4.90%

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

Chart 3: Long-term Australian Government bond yields

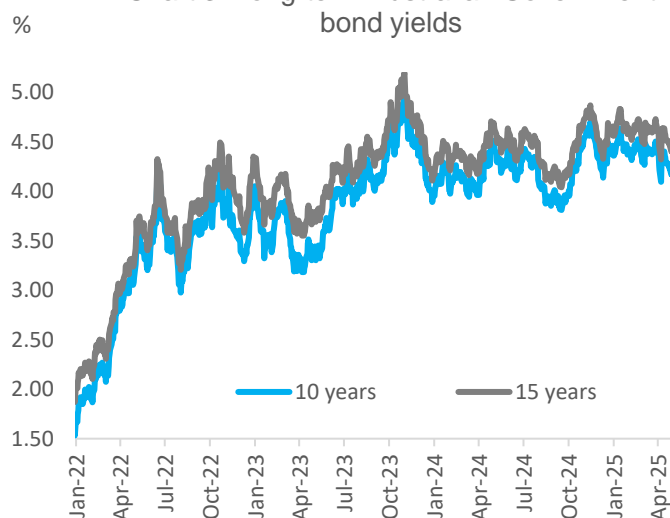
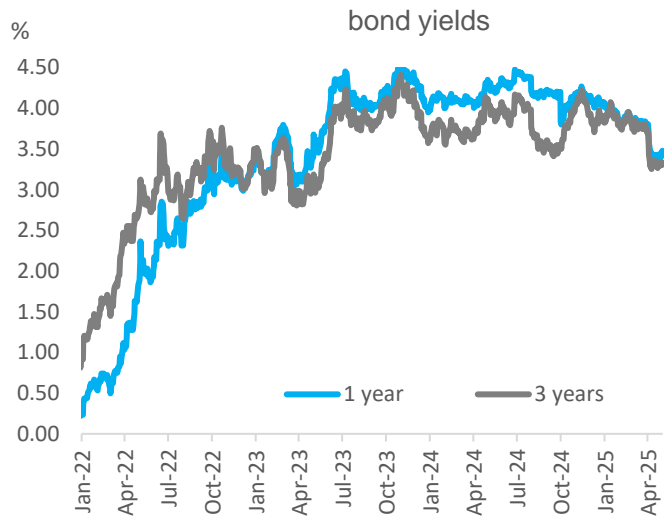


Chart 4: Short-term Australian Government bond yields



Date	2022	2023	2024	2025
	30-Dec	29-Dec	31-Dec	31-Mar
10 yrs	4.05%	3.96%	4.36%	4.16%
15 yrs	4.34%	4.17%	4.56%	4.40%

Date	2022	2023	2024	2025
	30-Dec	29-Dec	31-Dec	31-Mar
1 yr	3.33%	3.97%	4.02%	3.46%
3 yrs	3.50%	3.61%	3.82%	3.32%

Macroeconomic data

Data	Latest	Previous	Δ
RBA Cash Target Rate	4.10%	4.10%	+0.00%
AUDUSD	0.6402	0.6247	2%
AU Unemployment Rate	4.1%	4.0%	+0.1%
AU Headline CPI Indicator YoY	2.4%	2.4%	0.0%
AU GDP YoY	1.3%	0.8%	0.50%
US Fed Funds	4.25% - 4.50%	4.25% - 4.50%	0.00% - 0.00%

Note

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

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