

HOUSING AUSTRALIA

Affordable Housing Bond Aggregator – Market update
17 July 2025



Housing Australia

Market commentary

The RBA held the cash rate at 3.85% on 8 July 2025, surprising the market. The Governor clarified that this was about “timing” not “direction” with rate cuts still on the horizon. The Governor flagged potential upside risks to Q2 inflation versus projections made in May. Market forecasts for trimmed mean inflation are around 0.6% q/q (2.7% y/y), which is in line with RBA expectations. Headline inflation is expected to be 0.8% q/q (2.1% y/y). Business conditions rebounded sharply in June according to the NAB survey, jumping from 0 to 9, which is the highest since March 2024.

The June labour force survey data was released today and indicated a subdued outcome, with employment rising by only 2,000, which was well below market expectations of 20,000. This follows a decline of 1,100 jobs in May, reinforcing signs of weakness. The unemployment rate rose by 0.2 percentage points to 4.3%, marking the highest level since November 2021 and a new cyclical peak. There was a modest uptick in the participation rate to 67.1% (from 67.0%) combined with slow employment growth which contributed to the rise in joblessness.

The US 10Y Treasury yield traded a range of 4.22–4.52% in June, closing at 4.23%, -19bps below 30 May levels. The 10Y Aus Gov Bond yield traded a range of 4.10–4.28% in June, closing at 4.12%, -14bps below 30 May levels. Trade and geopolitical tensions had a minimal market impact. The Fed held rates steady at 4.25–4.50% and revised its 2026 “dot plot” projection to one cut (from two). Chair Powell maintained a cautious stance on tariffs and continues to advocate for a “wait and see” approach on tariff impacts.

Long term bond yields, which determine what Housing Australia can offer the community housing sector have stabilised in the middle of the range over the past 3 months (see Chart 3). As of 17 July 2025 the Aus 10-year Government bond yield was 4.35%. This equates to an estimated 10-year cost of borrowing for Housing Australia of 4.80%. The Housing Australia spread is approximately 45 basis points above the 10-year Government Bond yield.

Chart 1: Cash rate target and BBSW

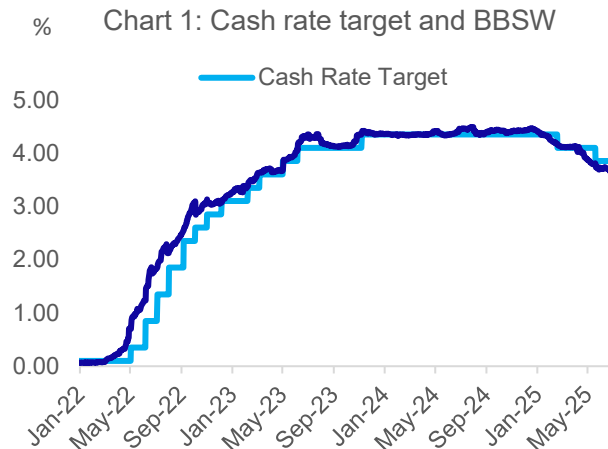
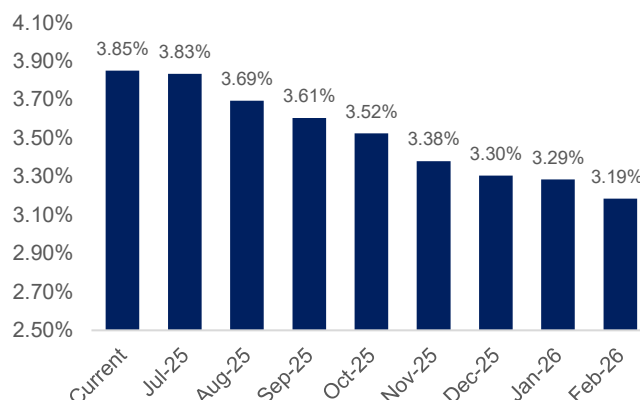


Chart 2: Implied future AUD cash rate, based on cash futures

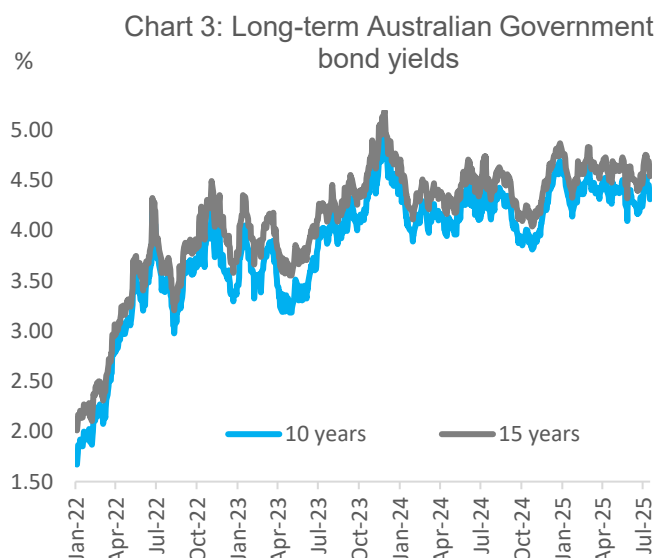


The following table shows the estimated cost of long-term fixed rate funding for Housing Australia as of 17 July 2025. The interest rates that Housing Australia can offer registered Community Housing Providers (CHPs) for lending to established properties typically ranges from 0.65% to 1.00% above Housing Australia's funding cost (excluding establishment fees) depending on the nature and terms of the loan. Higher margins apply for construction lending.

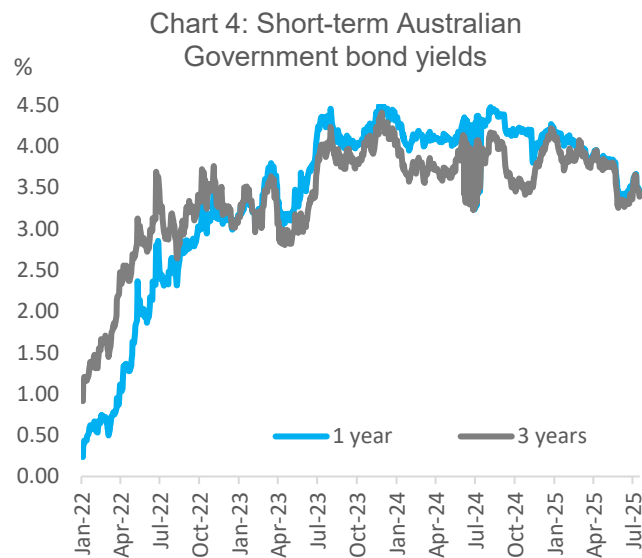
Housing Australia's estimated AHBA cost of funds 10 years 12 years 15 years

Fixed rate cost of funds	4.80%	4.93%	5.21%
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CHPs interested in AHBA finance should speak to their Housing Australia Relationship Manager for information on the relevant margin applicable to their project.



	2022	2023	2024	2025
Date	30-Dec	29-Dec	31-Dec	30-Jun
10 yrs	4.05%	3.96%	4.36%	4.12%
15 yrs	4.34%	4.17%	4.56%	4.48%



	2022	2023	2024	2025
Date	30-Dec	29-Dec	31-Dec	30-Jun
1 yr	3.33%	3.97%	4.02%	3.23%
3 yrs	3.50%	3.61%	3.82%	3.26%

Macroeconomic data

Data	Latest	Previous	Δ
RBA Cash Target Rate	3.85%	3.85%	0.00%
AUDUSD	0.6581	0.6581	0%
AU Unemployment Rate	4.3%	4.1%	+0.2%
AU Headline CPI Indicator YoY	2.1%	2.4%	-0.3%
AU GDP YoY	1.3%	1.3%	0.00%
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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