

Media Release

WA Builders welcome APRA announcement

5 July 2019

“The announcement by APRA that the mortgage serviceability test is to be relaxed is great news at a time when the Western Australian market is trying to recover and the State Government has introduced its housing stimulus program through Keystart.

“Previously, mortgage loans were only to those borrowers who could afford to service the mortgage repayments at a hypothetical APRA ‘floor’ interest rate of 7.25% - regardless of how low actual market interest rates were.

“Recent reductions in interest rates mean that this restriction is unnecessarily onerous and APRA’s announcement today means that the interest rate floor has been scrapped. In future, borrowers will only need to have the capacity to absorb a 2.5% increase in mortgage interest rates from current, all-time lows,” Shane Garrett said.

“Regulatory restrictions on home lending were one of the major factors which has contributed to the most significant downturn in new Western Australian home building industry.

“New Australian Bureau of Statistics figures released this week reveal the downward trend in residential construction continued during May. Compared with April, the number of new home approvals in WA have dropped by 4.7% and are 15.3% lower than in May 2018. Units and apartments continue to decline with numbers dropping 24.5% between May 2018 and May 2019 while detached house approvals fell by 12.1% over the same period.

“The broadening of Keystart eligibility, the reduction in interest rates and today’s decision to relax the mortgage serviceability buffer for new loan applicants all come at the perfect time for the industry and those looking to build a home.

“In terms of the broader building and construction industry, these are important factors in boosting economic growth. Additionally, fast tracking major capital works projects in conjunction with the current civil/engineering projects underway and social infrastructure such as education and health facilities will make a big difference to economic confidence and prosperity in WA.

“A strong building industry means a strong economy” concluded Mr Gelavis.

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