

# NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION

Affordable Housing Bond Aggregator – Market update  
3 January 2023



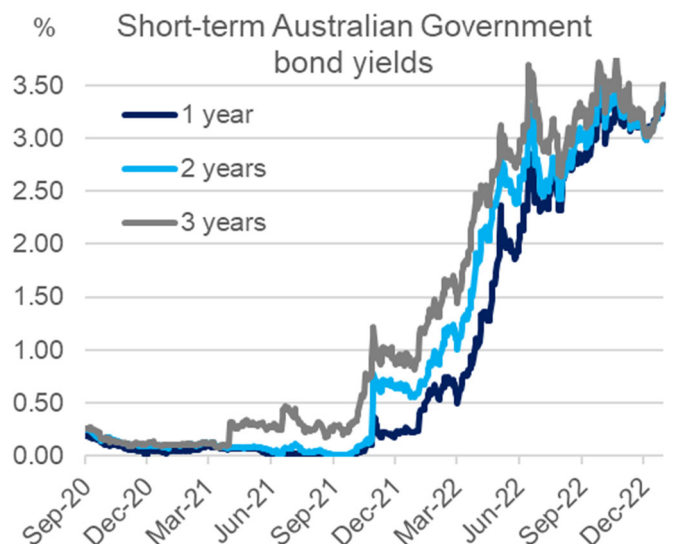
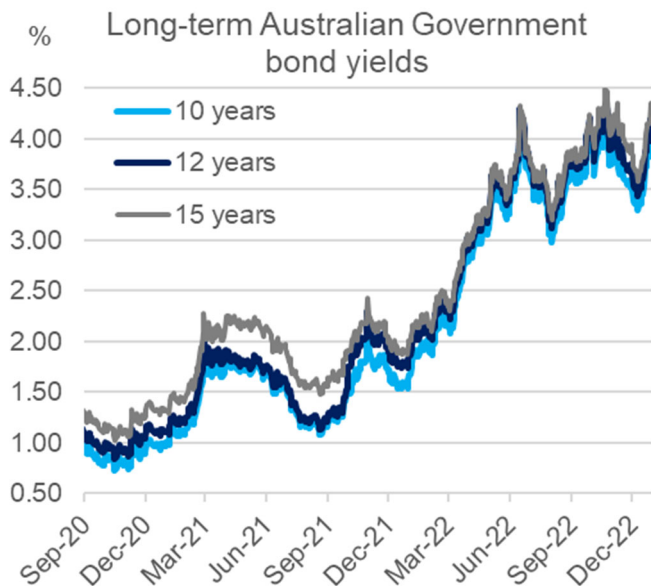
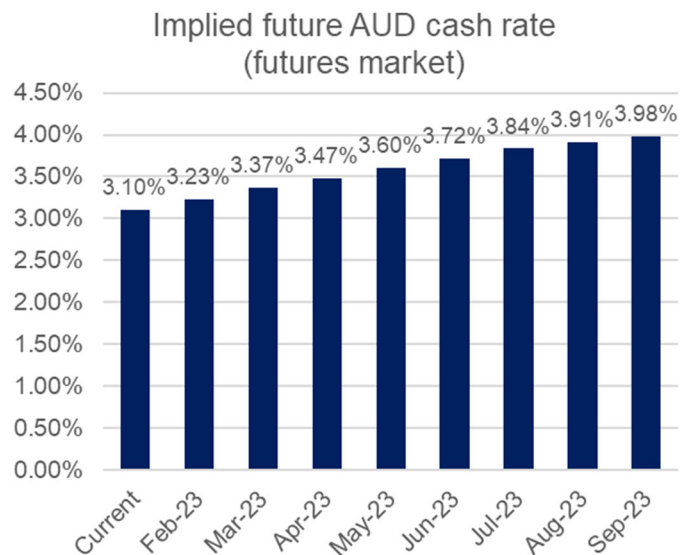
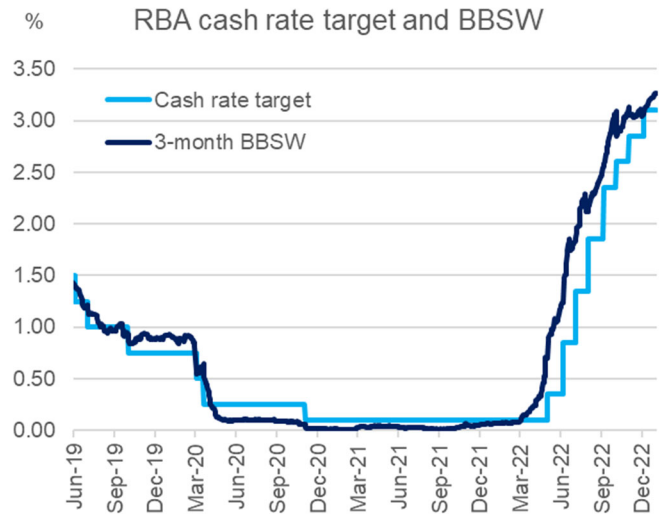
## Market commentary

The Reserve Bank of Australia (RBA) increased the cash rate target by 0.25% to 3.10% on 6 December 2022, with the accompanying statement noting that the “Board expects to increase interest rates further in the period ahead, but it is not on a pre-set course”. The RBA Board will not meet again until 7 February 2023, which will allow the RBA and financial markets additional time to assess the impact of the 300 basis points in interest rate increases to date. The two adjacent charts show the cash rate target and 3-month BBSW to December 2022 and the cash futures market pricing of the cash rate to September 2023.

Economic data indicates that the Australian economy remains strong with a tight labor market and a resilient household sector. The November 2022 employment data released in mid-December 2022 was stronger than expected with the economy adding approximately 64,000 jobs with an unemployment rate of 3.4%.

Long term bond yields, which determine NHFIC’s cost of funding and the interest rates we can offer to the community housing sector have increased in recent weeks in line with global bond yields. The 10-year Government bond yield is currently 4.01%. As at 3 January 2023, we estimate NHFIC’s 10-year cost of borrowing to be 4.61%, a premium of approximately 60 basis points above the 10-year Government Bond yield.

The charts below show long- and short-term Government bond yields which drive the cost of NHFIC’s finance to the community housing sector.



The following table shows the estimated cost of long-term fixed and floating rate funding for NHFIC as at 3 January 2023. The interest rates that NHFIC can offer Community Housing Providers (CHPs) for lending to established properties typically ranges from 0.65% to 1.00% above NHFIC's funding cost (excluding establishment fees) depending on the nature and terms of the loan. Higher margins apply for construction lending.

<b>NHFIC's estimated AHBA cost of funds</b>	<b>10 years</b>	<b>12 years</b>	<b>15 years</b>
Fixed rate cost of funds	4.61%	4.76%	4.90%
Floating rate cost of funds (3M BBSW plus)	0.24%	0.35%	0.49%
<b>3 month BBSW</b>	<b>3.09%</b>	<b>3.09%</b>	<b>3.09%</b>

CHPs interested in AHBA finance should speak to their NHFIC 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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