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Business and Finance

Still good time to buy home: lender

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Home loan lender Resi Mortgage Corporation says it is a good time to consider buying property, despite the central bank deciding to keep interest rates unchanged on Tuesday.

The cost of borrowing is still at multi-decade lows, house prices have fallen and rental demand is rising, it said.

The Reserve Bank of Australia kept the cash rate unchanged at 3.25 per cent, in a decision that snapped a series of five interest rate reductions since September last year.

"For those savvy borrowers who have already been doing their homework, in the current climate, the property market certainly offers a less volatile and viable long term investment option," Resi's head of consumer advocacy Lisa Montgomery said in a statement.

"There is also now a significantly greater range of mortgage deals available than six months ago so we fully expect to see the volume of activity from the first home buyer market really rise from now until the end of June when the increased offer on the First Home Owners Grant ends."

Listed home loan broker Mortgage Choice said the RBA was taking a wait and see approach after the string of rate cuts, but warned that the weak global backdrop meant it would take time for the local economy to improve.

"There were strong arguments for and against another cut but the RBA appears to have adopted a wait and see approach for at least the next month, letting recent monetary and fiscal stimulus work through the economy further before acting," Mortgage Choice senior corporate affairs manager, Kristy Sheppard said in a statement.

"Aggressive rate cuts along with Government stimulus initiatives, such as the December payment to many Australians and the first home owner boost, have led to an improvement

in consumer sentiment and an obvious lift in housing finance demand, one of the cornerstones of economic growth.

"However, this only really occurred in the last four months or so and we are still experiencing a weak global economy.

"There is a long way to go before things improve significantly."

Mortgage provider and broker Firstfolio Ltd says its business activity surged after the interest rate cuts and the central bank's decision to wait and see how things are going was appropriate.

Firstfolio chief executive Mark Forsyth said on Tuesday that the company's mortgage broking business, eChoice, had seen hits on its website surge to 15,000 a day from 6,000, after the Reserve Bank of Australia's (RBA) one percentage point rate cut in February.

The RBA kept the cash rate unchanged at a 45-year low 3.25 per cent, after five rate cuts totalling four percentage points since September.

"After the five rate cuts, and the theory that it takes three or four months for the effect to flow through, the RBA quite rightly said `things aren't looking that bad, we'll give it another month,'" Mr Forsyth said.

"The activity driver has really come from the last two decreases."

Firstfolio reported a first-half net profit of \$475 million from a \$744 million loss the previous year, having increased its loan book to \$12 billion.

Mr Forsyth said activity had picked up in the housing market, particularly in the \$300,000 to \$1 million price range.

"The general feedback is that everybody is a lot busier," he said.

But he warned there was a looming shortage of properties.


"There hasn't been a lot of property development," Mr Forsyth said.

The RBA was also likely to follow up with more rate cuts in the coming months, Mr Forsyth said.

"I think they will go again."

Shares in Firstfolio were untraded on Tuesday at 3.6 cents.

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