



## Strong rental returns ahead

RISING interest rates are discouraging first home buyers and keeping them in the rental market, which in turn is good for property investors, a mortgage broker says.

Property investors, who themselves say they aren't deterred by rising interest rates, can look forward to strong rental returns as larger numbers in the rental market keep rents from falling.

A survey released by online brokerage e-choice yesterday found that 41 per cent of would-be investors would reconsider if rates rose by two percentage points compared with 53 per cent current or prospective owner occupiers.

Executive director of e-choice's parent, Firstfolio, Mark Flack said the outlook was good for property investors as first time buyers were shying away from any prospective purchase.

"We believe more prospective first-home buyers will pull out of the market compared to property investors, and as such we see a great opportunity in the investment property market," Mr Flack said in the statement.

University of Western Sydney property lecturer Za Manaf said it was a 'sellers' market', which made it hard for first

home buyers to find an affordable property.

"It is becoming more expensive to take out mortgages because the interest rate is going up," she said.

"Demand is higher than supply, which leads to market being more favourable to sellers."

The e-choice survey found that between 20 and 22 per cent of respondents listed government charges and securing financing as the two biggest concerns when considering buying property.

The lack of attractive property investment options came in third, with 15 per cent of respondents citing it as a challenge when buying.

The majority of respondents picked Melbourne, Perth and Adelaide suburbs as areas with the best residential property return prospects.

A little under half of respondents, 47 per cent, chose an existing house as the most attractive investment option, with 18 per cent preferring an existing apartment as opposed to a newly built dwelling.

The online brokerage site e-choice polled 1,000 Australians looking to buy property, 32 per cent of which were property investors.