

## Low rates, population growth, no new homes is perfect storm

By David McIntyre

SYDNEY, March 15 AAP - Low interest rates, population growth and a shortage of new home construction is the perfect mix for a fresh house price bubble, says Firstfolio chief executive Mark Forsyth.

Australian might be on the brink of recession but Mr Forsyth believes a new housing boom could begin as early as in the second half of 2009.

"If you combine the last rate decrease with news that there's going to be another decrease, rental yields going through the roof, shortage of supply of property and the first home owners grant, it's a perfect storm of a positive nature," Mr Forsyth told AAP.

"We're creating the next housing boom, or bubble potentially."

After the Reserve Bank of Australia cut the overnight cash rate to a 44-year low of 3.25 per cent in February, traffic at Firstfolio's mortgage website eChoice more than doubled to 15,000 hits a day from 6,000, Mr Forsyth said.

While the demand for loans had grown, especially among first home buyers, Mr Forsyth said he feared there weren't enough properties where people wanted to live - in transport corridors and close to employment centres.

And building approvals for dwellings fell in January for a seventh consecutive month to the lowest level in eight years, according the Australian Bureau of Statistics.

The ABS also showed rents rose by 8.4 per cent for the year to December, the fastest increase since 1989, making property investment more attractive.

The shortage wasn't likely to be solved soon as new developments took a long time from start to completion, and the population continued to grow, particularly through immigration, Mr Forsyth said.

Immigration Minister Chris Evans announced last year that Australia would increase its annual immigration intake to about 300,000.

"Unless somebody has it on tap now, we're not going to have any new development," Mr Forsyth said.

Firstfolio wants to harness some of that demand, offering a standard variable rate of 5.24 per cent, well below the major banks, through its eChoice business which lends directly to customers.

Firstfolio bought eChoice last year to expand into selling home loans directly to customers, rather than just mortgage broking and wholesale sales to other home loan providers.

That was the latest stage in growing the business to \$12 billion of home loans on the books, from \$1 billion in June 2006 when Mr Forsyth started as chief executive.

But Mr Forsyth said his aim was not to create a mortgage business.

"It's great that we started with mortgages, because you create a really strong relationship with customers, but my complete focus has been to build a distribution business."

Firstfolio aims to sell other financial products including superannuation and insurance through the eChoice website and Mr Forsyth has an aim of generating between 10 and 15 per cent of revenue from non-home loan products by the end of the year.

Mr Forsyth also wants to take the eChoice business to Asia, where he believes there are huge opportunities for Australian businesses.

But businesses needed to take a long term view, and Asia would be hit hard by the global recession, said Mr Forsyth, who spent six years living and working in Asia before joining Firstfolio.

"There are no five minute plays in Asia," he said.

"We have the biggest market sitting on our doorstep with daily flights to everywhere, no time difference and our population is increasingly Asian."

Mr Forsyth said he had already received enquires about taking eChoice to the Middle East and also pointed to South East Asia as a desirable next step.

"Thailand would be up on my list, because it has a large domestic population, they're reasonably sophisticated and it has good IT," he said.

"Vietnam, Malaysia, Indonesia, then with the right partner, India and China."

The company reported a first-half 2008/09 profit of \$475,000, turning from a loss of \$744,000 a year earlier.

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