



# Signs point to housing bubble

By Michael Inman

Australia might be on the brink of recession, but low interest rates, a shortage of new home construction and generous incentives for first-home buyers could fuel a new housing price boom.

Figures from the Market Intelligence Strategy Centre, to be issued today, show an additional

21,000 mortgages, a jump of 12 per cent, were settled by borrowers in the December 2008 quarter, ending a five-quarter negative slide in new mortgage business.

Firstfolio chief executive Mark Forsyth said yesterday he believed a new housing boom could begin as early as in the second half of this year.

"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 owner's grant, it's a perfect storm of a positive nature," Mr Forsyth said.

"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 6000, 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.

The rising demand for affordable homes was evident in Canberra yesterday, where 175 people registered for a chance to buy one of 30 apartments at The Hub in Bruce.

Successful applicants Kirsten Mee, 27, and boyfriend Josh Davey, 28, were the third drawn from the ballot and plan to move in together when the complex is completed in September next year.

"It's pretty awesome," an excited Ms Mee said.

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## Signs point to housing boom in second half of year

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"We got the apartment we wanted, it has a view of the park and more gets more sun. We've been looking around since late last year and when this came up it was perfect for us, it was so reasonably priced compared to the rest of Bruce.

"We can get the first-home buyer's grant but we don't have to pay interest on the loan until September next year.

"The wait is kind of going to be frustrating but it will be worth it in the long run. We're ready to go out and celebrate."

The rush to buy has benefited those seeking to rent, with vacancy rates improving slightly to 2.3 per cent in the December quarter.

Despite this, Canberra rents continue to be among the highest in Australia.

According to the Real Estate Institute of Australia, the median weekly rent for a three-bedroom

house in the ACT fell by 1.3 per cent to \$395 a week over the December quarter.

The average weekly rent for two-bedroom "other" dwellings decreased by 1.4 per cent to \$370 a week.

The December quarter dip did little to damage strong increases in rents over the entire year as median weekly rent for a three-bedroom house rose by 6.8 per cent and 4.2 per cent for a two-bedroom other dwelling.

In sales, the median house price for the ACT decreased from \$477,500 to \$435,000 in the 12 months to December 2008.

The market for other dwellings fared much better than housing, with median prices only decreasing by 1.3 per cent compared with the same quarter last year.

Retail vacancies have risen to some of the highest levels in the country, according to the ANZ Bank's March property outlook.

But the survey predicts that a low rate of job losses in the ACT – at least to date – will help support the local housing market.

The report notes that a strong rise in housing finance approvals in recent months may have been "prompted by softness in house prices through much of 2008 which fell more than 5 per cent from March to June".

"Yet this softness was pounced upon in the December quarter and as a result price actually rose 0.7 per cent, the second strongest rise in median prices in the country. Going forward, despite a marked slowing of the economy unemployment should remain low and income growth tick along at a reasonable pace," it says.

Hotel room occupancy rates in the ACT remained among the highest in the country, driven by government activity, even though falling by 14.4 per cent.

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**CELEBRATION:** Successful applicants for an apartment at The Hub in Bruce, Kirsten Mee, 27, and boyfriend Josh Davey, 28, were drawn from the ballot