



There's a new bubble building

HOUSING

LOW interest rates, population growth and a shortage of new-home construction are the perfect mix for a new housing boom, says Mark Forsyth, chief of financial services provider Firstfolio.

Australia 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 homeowners grant, it's a perfect storm of a positive nature," said Mr Forsyth. "We're creating the next housing boom."

After the Reserve Bank of Australia cut the overnight cash rate to a 44-year low of 3.25 per cent in February, Mr Forsyth said the demand for loans had grown, especially among first homebuyers.

But he feared there weren't enough properties where people wanted to live: in transport corridors and close to employment.

And building approvals for dwellings fell in January for a seventh consecutive month to the lowest level in eight years, according to 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 was not 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, said Mr Forsyth.

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

Meanwhile, a mortgage provider says recent first homebuyers could be in for a rude shock a year down the track.

Declan Murphy, chief executive of online home loan provider BidMyLoan, said the weakening local economy and rising unemployment would leave first homeowners vulnerable to falling house prices.

Mr Murphy said the Federal Government needed to ensure there were measures in place to support those in hard times.

"If you create an initiative to put people in debt in this environment, you need to be responsible and prudent," said Mr Murphy.

Official statistics show the temporary boost, which formed part of the Federal Government's \$10.4 billion fiscal stimulus package announced in October last year, had tempted first homebuyers back into the market.

First-time buyers comprised 25.4 per cent of all home loan approvals in December, a seven-year high.