



New housing bubble seen

'Perfect storm' for market predicted

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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.

Australia may be on the brink of recession but Mr Forsyth believes a new housing boom could begin as early as 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," he said.

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

But Tasmanian Housing Industry Association executive director Stuart Clues said that, while economists were forecasting house prices in Tasmania would not rise dramatically, they would not crash as they had overseas.

And Mr Clues said he did not believe there would be a bubble, which is when prices are artificially inflated.

"The first-home owners grant and the stimulus package had a positive effect on that part of the market that had been locked out for the past five years. It's helped

those most in need," he said.

"Our belief is that the property market is reasonably stable. People aren't going to enjoy significant capital gains over the next 12 months — nor will we see a crash in prices. It creates an opportunity for people to enter the market."

Mr Forsyth said that, 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 had more than doubled to 15,000 hits a day from 6000.

While the demand for loans had grown, especially among first-home buyers, Mr Forsyth said he feared there were not enough properties where people wanted to live.

Building approvals for dwellings fell in January to the lowest level in eight years.