



Fresh 'bubble' likely: Firstfolio

By **David McIntyre**

SYDNEY: 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 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.

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.