

Perth's property boom is over but prices won't crash

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Perth Skyline Across The Swan River - West Australia

Marco de Jong - © 2003

The fire may have gone out of Perth's extraordinary five-year property boom, but it is still expected to overtake Sydney as Australia's most expensive city for home-buyers.

Australia's most isolated capital has traditionally lagged behind the larger east coast cities in the expensive property stakes.

But a rampant resources boom has changed all that, pushing Perth property prices up 90 per cent since the national housing market began to slump towards the end of 2003.

More recently, the median house price in Perth surged 39 per cent to over \$491,000, in the 12 months to September 2006.

Meanwhile Sydney's median price remained unchanged at \$520,000, according to Australian Property Monitors statistics.

The figures show Canberra to be the next priciest city, with a median house price of \$417,000; followed by Darwin at \$398,000; Melbourne, on \$357,000; Brisbane at \$344,000; Adelaide, \$322,000; and Hobart, \$235,000.

Now, even though the worst case scenario looks likely to be a minor fall within the next 12 months, prices are set to chug upwards again.

Demand for Western Australia's vast reserves of iron ore and oil and gas is expected to continue unabated for the next year or two, pumping more cash into the state.

Growth in the local Perth housing market has begun to cool because first home buyers have been virtually priced out of the market and interest rate rises have finally dampened investor enthusiasm.

Property for sale listings have begun returning to normal levels of about 12,000 a month, up from a low of 4,000 at the peak of the boom.

But few people are expecting Perth housing to go through the traditional price collapse that usually follows a boom.

WA Minister for Housing Michelle Roberts says Perth property prices will either flatten off or continue at a modest increase.

"We're certainly not expecting to see a depression, or recession, or things go markedly down," Ms Roberts said.

"But we do think that it will either plateau or rise slowly over the next year or two."

Real Estate Institute of WA president Rob Druitt agrees Perth will escape the price falls owners experienced in Sydney and Melbourne after the property booms ended in those cities.

"We are very lucky here in WA," Mr Druitt said.

"That would be the normal result of a boom but we have very unique particular circumstances that Victoria and New South Wales did not have," Mr Druitt said.

"We have got a sustainable booming state economy and while you have booming state economy, with people flooding into the state, you can't have property price going backwards."

WA's Treasury expects a softening of the housing market in 2007 but it does not foresee a property crash - few experts do while there is still a net influx of 500 people arriving in the state each week looking for somewhere to live and work.

Demand for WA's resources has been so hot companies are still expanding their mines, oil and gas projects, and building infrastructure to support them, creating a massive labor shortage in the state's northwest.

Companies are paying record high wages - luring locals away from their lower paid jobs and sparking the flood of interstate and migrant workers keen to either work in the resources industry or plug serious employment gaps created by Western Australians going to the mines.

WA's Treasury recently said the state's unemployment levels were the lowest in the nation after plunging to 3.1 per cent in November, from 3.7 per cent in October, and WA was still struggling to get more workers.

The state is also struggling to house these extra bodies because land release processes - that can involve native title negotiations and building and infrastructure approvals - are not able to keep up with demand.

In the north, campsites and caravan parks are full and people are playing up to \$1,000 a week to rent a standard three-bedroom house in Karratha.

The crisis has prompted one Karratha entrepreneur to propose creating a housing estate in the town's light industrial area with furnished and air conditioned sea containers, a plan which has received government support.

REIWA's Rob Druitt says that unless there is a dramatic change in the fortunes of the resources industry there is a good sustainable outlook for Perth's housing prices even if local investors are now eyeing the east coast for bargains.

Housing prices will consolidate, he said, and the next boom for Perth was going to be in the rental market.