Perth must bide time for next property boom

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The Perth property market is unlikely to experience Sydney's frenzied buying demand for several years, experts say, despite evidence of strong price growth in the western capital.
The measured assessment of Perth's growth prospects for 2014 comes after a strong year when the median house price lifted well above the $515,000 high struck during the mining boom.
Gavin Hegney, of valuers Hegney Property Group, said Perth was in a different part of the property cycle from Sydney.
"Perth is in early recovery; it's a pent-up-demand jump in price," Mr Hegney said.
"Sydney is all about confident optimism."
It is a decade since Sydney, the only other state capital where houses are selling for more than their previous peaks according to RP Data, experienced strong demand that raised concerns that a property bubble was developing.
"People need to get that far ahead that they forget what happened last time," Mr Hegney said.
Perth didn't go through a similar period of frenzied buying activity until around 2006. The financial crisis and ensuing stagnant period lasted several years and only recently transformed into strong demand largely at the first-home-owner end of the market.
That demand is expected to ease late in 2014 as supply increases to meet buyer expectations.

Property numbers recover
That sustained supply increase might already be occurring, with data from the Real Estate Institute of Western Australia showing that the number of properties on the market has recovered from below average levels to reach its highest point in the past 12 months.
A period of modest growth is expected to follow, with the potential for a period of more frenzied activity at least three years away.
Greg Rossen, of Rossen Real Estate, said most of the activity in Perth was credited to the first-home-owners, who were 34 per cent of buyers.
"That's affecting the bottom end of the market," Mr Rossen said. "The top end is still exhibiting weakness."
In WA, no stamp duty is payable on houses bought by first-home-owners below $500,000.
AMP Capital chief economist Shane Oliver said the growth in Perth prices was backed by factors such as population growth, but there was a speculative element emerging to Sydney home purchases.
"We're seeing people rushing in," Mr Oliver said. "The fear of missing out is driving peoples' expectations."

Buyer's market on coast
In a stark reminder of how far the property market in Western Australia's holiday south-west has fallen, a coastal plot of land purchased for $1.9 million in 2006 is now on the market from $499,000.
Near Mandurah about an hour's drive from Perth, the vacant 1800-square-metre Estuary Road block is near the heart of the pre-financial-crisis buying frenzy, when cashed-up Perth residents sought to secure a luxury weekender.
After a torturous half-decade, an abundance of heavily reduced properties might now offer a buying opportunity for the brave.
Gavin Hegney, of property valuers Hegney Property Group, said many luxury residences and plots of land on Mandurah canals were priced at below what it cost to build them or prepare the site.
"Mandurah represents some of the best value in the market," Mr Hegney said.
"You can buy a canal block for $350,000 when it must have cost $500,000 to get the site ready."
The abundance of properties means it is a buyer's market and there are few, if any, future developments planned for the saturated market, which will limit new supply.
Property prices in Western Australia doubled between 2004 and 2007, with holiday spots in the south-west enjoying some of the biggest price gains. Price tags that rose fastest then fell hardest.
The owner of the Estuary Road property in Dawesville, just south of Mandurah, paid $1.9 million for the vacant site in mid-2006.
Further south, in Busselton, agent Neil Honey said the local market had not recovered as fast as he had hoped.

Bottomed out
"We've seen an increase in buying activity but not an increase in price," said Mr Honey, of Harcourts Busselton.

"Buyers can buy with confidence that the market has bottomed out and I think next year you will probably pick up your 7-odd per cent."
The nearby Port Geographe development has several canal blocks on the market, although they are subject to risks linked to seaweed build-up.
The land became unsaleable after the design of the site's groynes – hydraulic structures linked to the development – led to mass build-up of nausea-causing rotting seaweed.
Government agencies are mid-way through a plan to clean up the seaweed, although potential buyers have shown concern that the clean-up won't solve the problem for the long term.
"I'm still selling canal blocks for more than $100,000 less than what people paid for them off the plan," Mr Honey said.

Luxury re-emerges
Three riverside mansions on one of Perth's priciest streets, The Esplanade, have sold in rapid succession, in a sign that buyers are returning to the city's long-subdued prestige property market.
Sources confirmed Perth businessman Tony Packer had agreed to pay $13 million for a limestone and slate home on a 1758-square-metre block on The Esplanade.
That sale came shortly after private property developer Nigel Satterley paid $17.5 million for a mansion down the street in one of the most expensive residential purchases in Perth in recent years.
A third major purchase occurred next to Mr Satterley's new home. Marcus Plunkett, of a well-known Perth property family, paid about $9 million for the residence next door.
All of the purchases have occurred since August.
The ultra-high-end activity represents some of the first signs of life for Perth's prestige property market, many of which still have price tags below ¬pre-financial-crisis levels.
The sales have tended to represent significant discounts to the asking prices.
Separately, young mining services head Luke Herbert paid $21.35 million for one of WA's most famous estates, Devereaux Farm.
Mr Herbert, owner of WA-based mining and engineering services company Linkforce Engineering, settled on the purchase of the 2470-hectare estate in late November. It was in the hands of receivers of the Griffin empire formerly controlled by tycoon Ric Stowe.
Devereaux languished on the market for almost four years, after once being valued at $68 million.

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