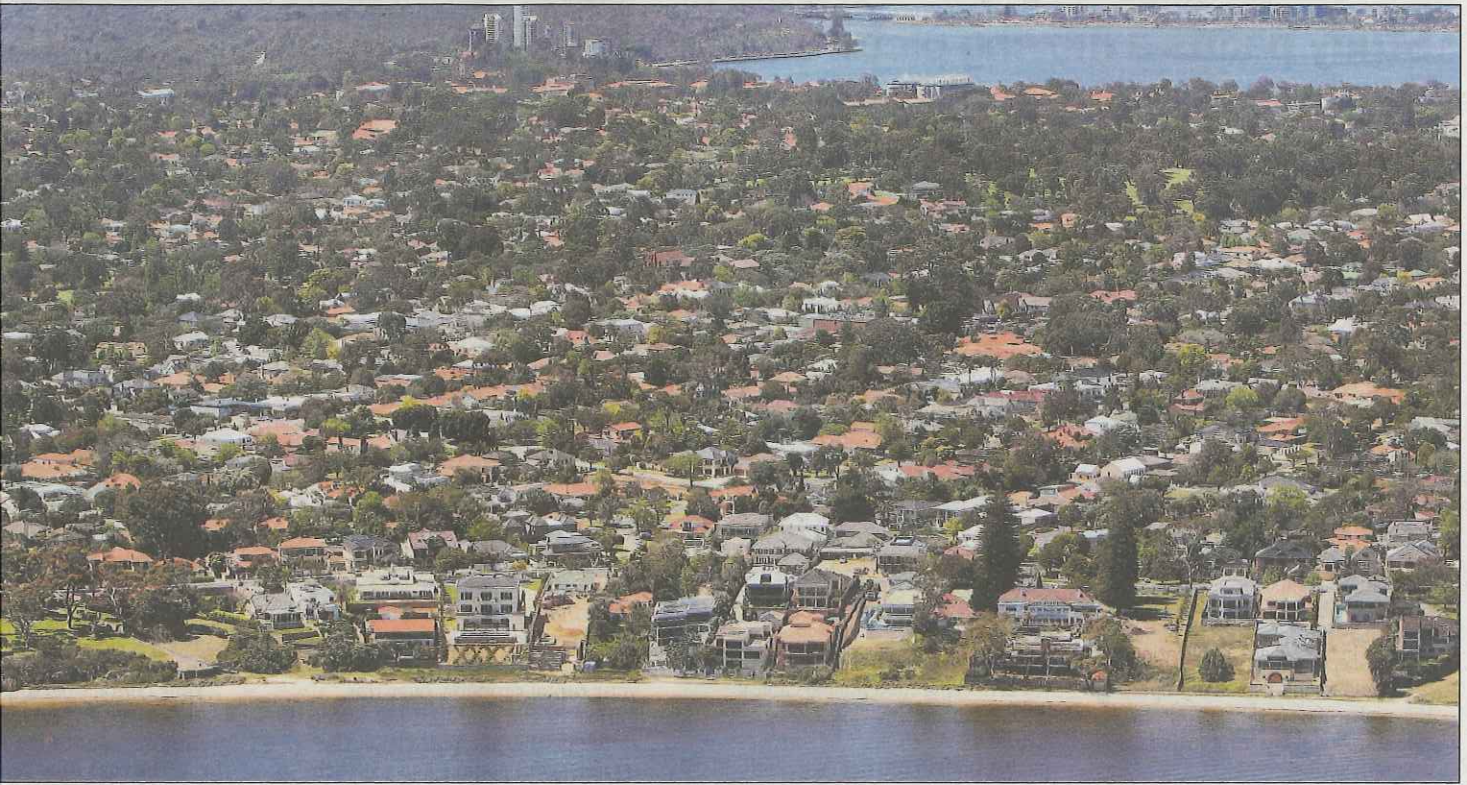


"The West Australian Real Estate" 5/12/2009.



Perth, more so than other Australian cities, looks set to see housing demand significantly outstrip supply.

Picture: Mogens Johansen

Banking on innovation

LOUISE BAXTER

A shortage of development funding and anticipated population growth off the back of the State's next resources boom could see Perth house prices rise if demand continues to outstrip supply, a leading economist has said.

Brian Haratsis, managing director and chief economist of planning and development firm MacroPlan, said the WA would have the strongest population growth in the country as it headed into the boom, placing increased pressure on housing supply if measures were not taken to address the shortage.

"If developers haven't got the funding to meet demand with fast population growth, there will



Gavin Hegney



Brian Haratsis

be more demand for property and prices will rise because people are competing for limited supply," he said.

"There is no funding available for property developers to develop apartments, and limited funds for housing subdivisions. Until funding for major residential projects normalises

around 2012 and 2013, then Australia, in particularly Western Australia, will be under-built.

"The private sector needs to be more innovative in how they're going to fund developments, parallel to the government, to make sure that land supplies are more adequate. If those two factors can be achieved we won't have a housing price bubble."

Development shortages in the Pilbara would place further pressure on Perth housing to accommodate fly-in, fly-out workers, he said.

"It is very hard in the short run to generate housing and land in the Pilbara communities because there is inadequate sewage and water infrastructure

available, land is subject to flooding and storm surge, native title claims . . . the standard development equation does not apply there. That's why the short-term response time is harder to trigger, and the implications will be seen in Perth."

Gavin Hegney, managing director of property valuation company Hegney Property Group, said the market was facing the same set of circumstances that preceded the 2006 boom, except now the inability to gain finance had intensified the situation.

Banks' capital adequacy ratios now required higher capital for high-risk lending, which had made funding developments increasingly difficult, he said.