

SE Business
HD Expert disputes Perth apartment glut claims
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Claims that the Perth apartment sector is headed for a glut are wrong according to Colliers International's residential director Jo-Anne Chin, who says supply and pricing levels will adjust as part of the usual market cycle.

An increased number of apartment developments together with a jump in the number of proposals from developers over the past 12 to 18 months, have fuelled speculation the city is heading for an oversupply of apartments and that values could fall.

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However, Ms Chin said there was unlikely to be a glut of apartments.

"What many people don't realise is that if you see a crane on a site constructing apartments, the chances are that around 70 per cent of that development is already sold," she said.

"Nearly every developer has to achieve a minimum of 60 per cent of pre-sales, whether they're getting money from a bank or investors.

"They won't take the risk of building without pre-sales."

Looking at the number of development approvals for apartment projects in Perth, Ms Chin said there was no doubt there were a considerable number of projects that could potentially hit the market in the next year.

"However, it's unlikely that all of these will actually proceed to construction, as developers may not go ahead given the knowledge that they may not be able to achieve the required pre-sales," she said.

If most of those projects did make it to market, Ms Chin said the competitive buyer market in combination with the number of apartments available may see some correction in pricing.

Activity and pricing had stabilised since the beginning of this year, which in itself had slowed the number of projects being submitted for approval — suggesting the pace of development through 2013 was unlikely to continue this year and next.

Ms Chin said some of the claims that Perth was heading for oversupply were coming from Sydney and Melbourne markets where overseas investors were already big buyers of off-the-plan apartments.

"Perth is very different to Sydney and Melbourne and we don't have as much exposure to one group of buyers and that helps mitigate the risk," she said.

"The Perth off-the-plan apartment market has been underpinned by a broad spectrum of buyers, including downsizers, first-homebuyers, owner-occupiers and investors to name a few, as the 30 per cent jump in population over the last decade has changed Perth's demographics.

“The next 12 to 24 months in the **apartment** market in Perth is not without its challenges and potential adjustments — but the evidence for a glut, and an associated slump, does not add up.”

Ms **Chin** said she was aware that some Perth developers had started to look at overseas markets, but only in the past few months.

“One again though, they are pretty cautious and will be only looking to sell a small portion of any project to overseas buyers.”

She said claims of a looming oversupply made buyers more cautious.

“I’m not sure of the depth of the impact but there has been an impact,” she said. “It’s taking buyers longer to make a decision.”

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