

# PROPERTY

## Real estate in 2012 was better than 2011 – expect better again in 2013

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**F**OR MOST CAPITAL CITY markets, last year was a year of consolidation and recovery. In the regions, some well-placed markets showed strong growth in rentals and prices.

Calendar 2013 will advance the process. There will be more growth markets this year than last. Most state and territory capitals will see some growth, led by Darwin and Perth.

But the best, once again, will be found in the regions. And the key factor in most of the future growth markets is infrastructure development.

Despite media rhetoric calling the end of the mining boom, Australia's resources revolution is alive and kicking. The 10 largest resources developments are all gas ventures (throughout Queensland, Western Australia and the Northern Territory), largely untroubled by the decline in commodity prices in the second half of 2012.

Iron ore prices dropped sharply, calling into question the viability of some projects, but by late 2012-early 2013 there had been a marked recovery and December was a record month for WA's iron ore exports.

Coal was also affected by the temporary drop in commodity prices but that did not deter major offshore investors from targeting Queensland's new boom resources province, the Galilee Basin. The push to exploit this undeveloped potential is being headed by two Indian companies, each spending around \$10 billion.

All this activity will help keep key regional property markets busy in 2013. Investors (other than those prepared to take on higher risk for the prospect of windfall gains) should target sizeable regional centres with multifaceted economies – ones that feel some benefit from the resources sector but do not wholly depend upon it.

Queensland, NSW, South Australia, Western Australia and the Northern Territory all have locations that answer that description.

A key for investors in 2013 will be finding locations where there has been an uplift in sales volumes or residential rentals in 2012,

without there being an equivalent rise in prices. There it is likely prices will follow the trend in 2013. This has happened in emphatic fashion recently in Gladstone and Darwin. Rents rose strongly first and prices reacted 12-18 months later.

It is one reason to expect price growth in Perth this year. There was double-digit growth in rentals for both houses and apartments in Perth in 2012, but little movement in prices.

And the upturn for the iron ore price makes price rises more likely in Perth. Most of the major companies involved in the WA resources sector are headquartered in the state capital and many mine workers live in Perth.

While the best of the regional centres will again be market leaders in 2013, capital cities will do better than in 2012.

We have already seen significant price gains in Darwin. Perth and Sydney showed signs of growth in the latter part of 2012 and will improve further as the new year unfolds. Brisbane, Adelaide and Canberra will also have much better years than in 2012.

The capital cities least likely to join the recovery are Melbourne and Hobart. Melbourne is mired in oversupply problems and markets are complicated by developers using giveaways, rebates and other incentives to entice buyers, while also seeking buyers in China and Asia generally. This is not a climate for price growth.

Hobart, as the capital city of Australia's recession state, faces an uncertain future. But there is cause for guarded optimism, as the state government announced a stimulus package late in 2012 (including targeting the new homes market) and new developments are emerging to create the possibility of new jobs.

I'm expecting capital cities' price performance to rank this way in 2013: 1 Darwin; 2 Perth; 3 Sydney; 4 Brisbane; 5 Adelaide; 6 Canberra; 7 Hobart; and 8 Melbourne.

Likely outperformers in the regional markets include Mackay, Emerald, Rockhampton, Toowoomba, Dubbo, Mudgee, the Hunter Valley, Bendigo, Whyalla and Geraldton. Existing hot spots I'm a little wary of – as prices have grown strongly and the markets are fully priced – include Port Hedland, Karratha and Newman in Western Australia and Gladstone in Queensland.

*Terry Ryder is the owner and creator of [hotspotting.com.au](http://hotspotting.com.au), which helps identify emerging property markets. He has three decades of experience as a journalist, author and researcher specialising in residential property, writes for Property Observer and has published four books on residential real estate.*

Top spot ... Darwin is poised for strong growth.

