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The resurgence in mining activity has highlighted housing shortages. Photo: City of Karratha

# Housing a victim of resources growth

Strong mining activity has highlighted the critical housing shortages in resources-rich areas.



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STRONG demand and rising commodities prices are driving a resurgence in mining activity across Western Australia, with exploration hitting a five-year high late last year.

Pilbara Development Commission chief executive Terry Hill told the recent Pilbara Summit 2021 more than \$170 billion worth of projects were forecast for the Pilbara region, the state's economic engine room.

The conversation around the resurgence of activity in the mining and resources sector has been dominated by concerns about the state's worsening labour shortage and its potential to stifle project development.

The latest modelling by the Chamber of Minerals and Energy of Western Australia suggests the sector could need as many as 40,000 additional workers within the next two years to cater to the influx of projects (half of which would be based in the Pilbara).

CME chief executive Paul Everingham warned those opportunities would not be fully realised until the state gained access to people with the necessary skills.

The repercussions of these projects being delayed, or worse yet, going undeveloped, would be significant for the WA economy, which pocketed \$9.2 billion in royalties from the resources sector last year.

This figure constituted almost 29 per cent of the government's total revenue.

However, a skilled labour shortage isn't the only issue threatening to hamper the project proponents' ability to proceed.

## House prices

Regional WA is grappling with a chronic housing shortage, with house prices and rents rising in resources-rich areas.

In Port Hedland, the nexus of the country's iron ore industry, house

prices have surged 43.5 per cent in the past 12 months, the biggest increase of any region in WA.

Rents have also increased, by more than 26 per cent.

The situation is much the same in South Hedland, where house prices have increased by about 33.6 per cent during the past year.

According to the Real Estate Institute of Western Australia, that growth has been underpinned by the resurgence of the Pilbara's mining sector, coupled with an industry-wide shift towards a local workforce over fly-in, fly-out to avoid the challenges posed by frequent border closures during the COVID-19 pandemic.

Currently, housing prices are well short of those in 2012, the height of the last boom, where Port Hedland's median price peaked at \$900,000 before plummeting to about \$200,000 in late 2019.

Two hundred kilometres west, in the state's oil and gas hub of

“Certainly, in our regional areas, we have those boom-and-bust conditions

- Damian Collins

Karratha, the median house price has jumped 11.9 per cent

In Tom Price, the home of Rio Tinto's Mount Tom Price iron ore mine, the median house price increased by 16.2 per cent during the past year.

A similar trend is emerging in the Mid West, with the median house price up 19.2 per cent in the past year, while Esperance and Kalgoorlie-Boulder have recorded annual price increases of 17.5 per cent and 12.1 per cent, respectively.

A ramp up of mining projects, an influx of workers, and little recent building activity has led to a critical housing shortage in Kalgoorlie, which

recorded the state's lowest rental vacancy rate of 0.5 per cent during the months of March and April.

But it's not just the state's mining towns affected by the increases, with the median house price in Busselton up 28.8 per cent over the past 12 months.

A flurry of government stimulus has driven a boom in the housing construction sector, which is also now dealing with labour shortages.

The latest data from the Australian Bureau of Statistics indicated about 26,000 new homes had been approved for construction in WA in the past 12 months, with 3,344 of those in the regions.

Less than one-seventh of these will be in the Pilbara, Mid West and Gascoyne, but this figure nevertheless constitutes a 160 per cent increase on the previous financial year.

REIWA president Damian Collins told *Business News* the sector was slow to respond to changes in demand and, as a result, almost all regional WA had a shortage of stock.

“Real estate takes a long time to adjust and is a product that is slow to respond to changes in demand,” Mr Collins said.

“For instance, if you want to build a new apartment building in Perth and you see that there is demand, from concept to construction, you're really talking about close to three years.

“Even single houses in the current market take about 18 months.

“It just takes a long time for that supply to react to that demand and hence why, certainly, in our regional areas and in the Pilbara, we have those boom-and-bust conditions.

“But the Goldfields is short on housing, too, and again, it's a result of lacklustre growth and limited construction.

“It's not easy to turn those taps back on, particularly in regional areas where the labour might have left and gone elsewhere.”

When asked how the Pilbara Development Commission intended to address the region's housing crisis, Mr Hill acknowledged the challenges posed by the demand for labour but rejected the use of the word ‘crisis’.

“I'm not sure we have a crisis, we have a challenge,” he told those at the conference.

“As far as the solution to that, no, the PDC itself does not have a plan.

“DevelopmentWA manages a lot of the land in the Pilbara, and we do have land available in all of our towns, but it is quite tight in Tom Price.

“During the construction cycle, there was actually an issue with having land to build houses.

“We have kind of got a double whammy this time, because we have the response to the COVID crisis, where we have seen a lot of incentives to build new houses and record levels of construction, so it's a challenge to get people.

“No, we don't have a plan, but we are working with our partners, whether it be local government or industry, regarding what we can do to get more housing available.”

## Boom-bust battle

For the better part of a decade, the City of Karratha has been working to make the town more than just a resources-based, fly-in, fly-out hub.

While its population has tripled in that time, City of Karratha Mayor Peter Long said the economy was still very much dependent on, and

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## Philanthropy and business

As a leader of one of Australasia's largest philanthropic organisations, Nicola Forrest is dedicating her life to solving some of the world's most intractable problems.

Nicola and husband Andrew continue to push the limits of what is considered possible – whether it be ending modern slavery, finding a cure for cancer, ridding our oceans of plastic waste or fire-proofing an entire continent – and have already committed more than \$2 billion to a range of global initiatives.

Nicola is now spearheading a movement to improve educational outcomes for all Australian children through the Thrive by Five campaign.

Join Nicola for breakfast to hear what motivates her and how we can all play a part in improving the lives of people around the world.

**BREAKFAST** Wednesday 11 August

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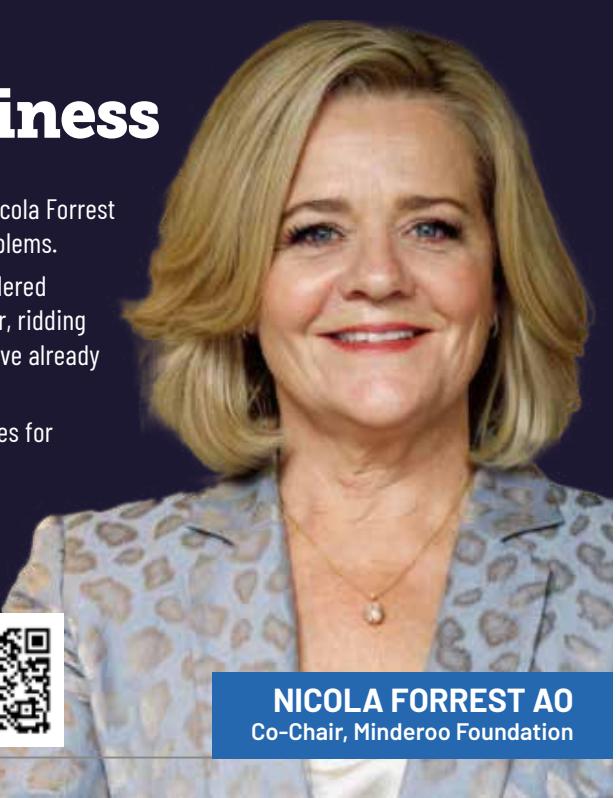
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John Carey says the government is aware of the housing issues, particularly in the regions. Photos: Attila Csaszar

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# 40,000

## EXTRA MINING SECTOR WORKERS NEEDED (MID 2023)

Source: CME

sensitive to, the price of commodities, particularly iron ore, oil and gas.

With Woodside's US\$11billion Scarborough project among a host of projects expected to reach financial investment decisions in the next 12 months and an additional 20,000 jobs forecast for the region over the next 10 years, Mr Long told *Business News* the attention had turned to the city's chronic housing shortage.

Mr Long said large companies, including Rio Tinto and Woodside, were now offering generous allowances for housing, prompting workers to buy and renovate old stock.

However, this meant new homes were not being built.

"Housing has long been an issue in Karratha and things are a lot worse now because of the stimulus that both the state and federal governments have put into the housing industry," he said.

"Over the last decade, we've made it very clear that we want these companies to accommodate these people on site and in the town, and the state government has been onboard with this, but residential housing is a real challenge.

"It's good for security reasons, it's more efficient and it's good for profitability and, obviously, it's good for our GDP.

"Right now, we have 64 properties available to rent or buy of 8,500 [houses], but 850 jobs [currently available] and 1,300 in the greater region, this is our problem.

"It's even harder for those in mid-tier jobs and our not-for-profit sector, who get paid the same wage as those in Perth but can't afford to live here.

"People are sleeping on mattresses or having to leave town.

"Karratha is a great city, and people love it, but the killer is the cost.

"If we could get the price of housing down similar to Perth, we could normalise the town."

From a local government perspective, Mr Long said the housing problem dwarfed the city's other issues.

"We see the ongoing maintenance workforce as a significant opportunity, for Karratha in particular, because of our central location, to have a workforce based here that is flown in and out to the mines," he said.

"We're talking about \$170 billion worth of projects.

"The number of jobs anticipated is quite incredible, but it's why we're so concerned.

"We need houses for these people; we're talking about thousands of houses."

The pressure to accommodate the influx of workers expected in the region is compounded by the existing demand in the housing construction industry, labour costs and tighter lending by the banks, as well as higher insurance premiums in the wake of Cyclone Seroja.

While pleased with the state government's response to the

housing issue, Mr Long said it needed to step in, take the lead, and build new houses of its own, with government departments renting many homes on the open market and making it even harder for ordinary mums and dads.

### Local take

The City of Karratha has launched a range of housing initiatives in a bid to combat the chronic housing shortage, approaching major mining companies including Rio Tinto and Woodside with offers to maintain and lease more than 60 houses left vacant following the last boom.

It has also partnered with a local Aboriginal company to build nine houses on city-owned blocks, with the first slabs being laid this week.

Like the local governments in other mining towns, including Coolgardie and Kambalda, Karratha has begun subdividing and selling its own lots, as well as identifying state-owned vacant lots to purchase and sell at cost to the market.

But its major project is 7020 Sharpe Avenue, a 4,500 square-metre lot in the heart of the city's central business district which the local government believes could house a build-to-rent model apartment block.



Peter Long says a shortage of homes is the most critical issue in Karratha.

Mr Long remained coy about the progress of the project, however, but it is understood an announcement could be just weeks away.

"Look, we're a local government, this is a big project for us, so we've been talking to NAIF [Northern Australia Infrastructure Facility] and others and we need to get them let out before we commence," Mr Long said.

"The state government has already registered interest to take out long-term rents on some of the apartments.

"We're hoping we will be able to make a public statement on that within the week.

"It's not the local government's role, but no-one else is doing anything, so we're stepping in."

Mr Collins believes the state government should leave the housing crisis to the private sector, stepping in only to ensure that adequate land is available.

"The government does own a lot of land in these areas, they just need to make sure it's available and serviced and ready to be built on when the demand comes so that the private sector can mobilise and get things happening," he said.

"Unless you're willing to pay very high prices for labour, it's going to be very hard to get these properties built

**“Karratha is a great city, and people love it, but the killer is the cost - Peter Long**

up there - and it's already expensive to build up there as it is.

"In Karratha and Port Hedland, it's close to twice as expensive to build as it is in Perth.

"You can only imagine now, with the current labour shortage, it would be even more expensive.

"So, the government should make sure the land is available and not stand in the way of the private sector, who need to meet that demand."

REIWA's Mr Collins also believes more consideration should be given to flexible housing choices, including townhouses, villas, or even modular style housing, particularly for those in construction who are likely to be temporary residents.

He said the state and federal governments also needed to revisit the current skilled migration arrangement, saying that not allowing people in amid a significant skills shortage could harm the economy.

### State response

Housing Minister John Carey told *Business News* he was aware of the

need for more housing across the state, particularly in regional WA.

Mr Carey said the key to improving availability and affordability was to get more homes into the market.

To this end, he said the state government's \$20,000 Building Bonus Grant had been taken up by about 7,000 people, while eligibility criteria for Keystart had been expanded and a \$116 million Regional Land Booster program introduced.

Last week, Premier Mark McGowan announced an expansion of the skilled migration program for temporary visa holders in Australia after striking an agreement with the federal government.

Under the changes, a further 134 high-demand occupations were added to the state's skilled migration occupation list.

At least 10,000 rentals across WA are also expected to become available over the next six to 12 months as first homebuyers who utilised government incentives move into their new homes.

Mr Carey said this would provide relief to the rental market, including in terms of affordability.

### Stamp duty reform

REIWA has also been pushing for an overhaul of WA's century-old stamp duty system, arguing that the state's housing supply issues would only worsen without long-term policy initiatives to address barriers to entering the market.

The real estate body has argued that stamp duty poses a major barrier to home ownership, and in the lead up to the March 2021 state election urged political parties to consider giving WA homebuyers the choice to pay the tax upfront or opt for an ongoing annual fee.

Following Labor's landslide win, Mr Collins called on the government to act.

He said the rental shortage could be addressed by stamp duty reform to make housing more affordable and encourage investors back into the market to free-up housing for tenants.

While acknowledging the removal of stamp duty was unlikely to aid the shortage issues in the short term, it had the potential to keep housing more affordable into the future, Mr Collins said.

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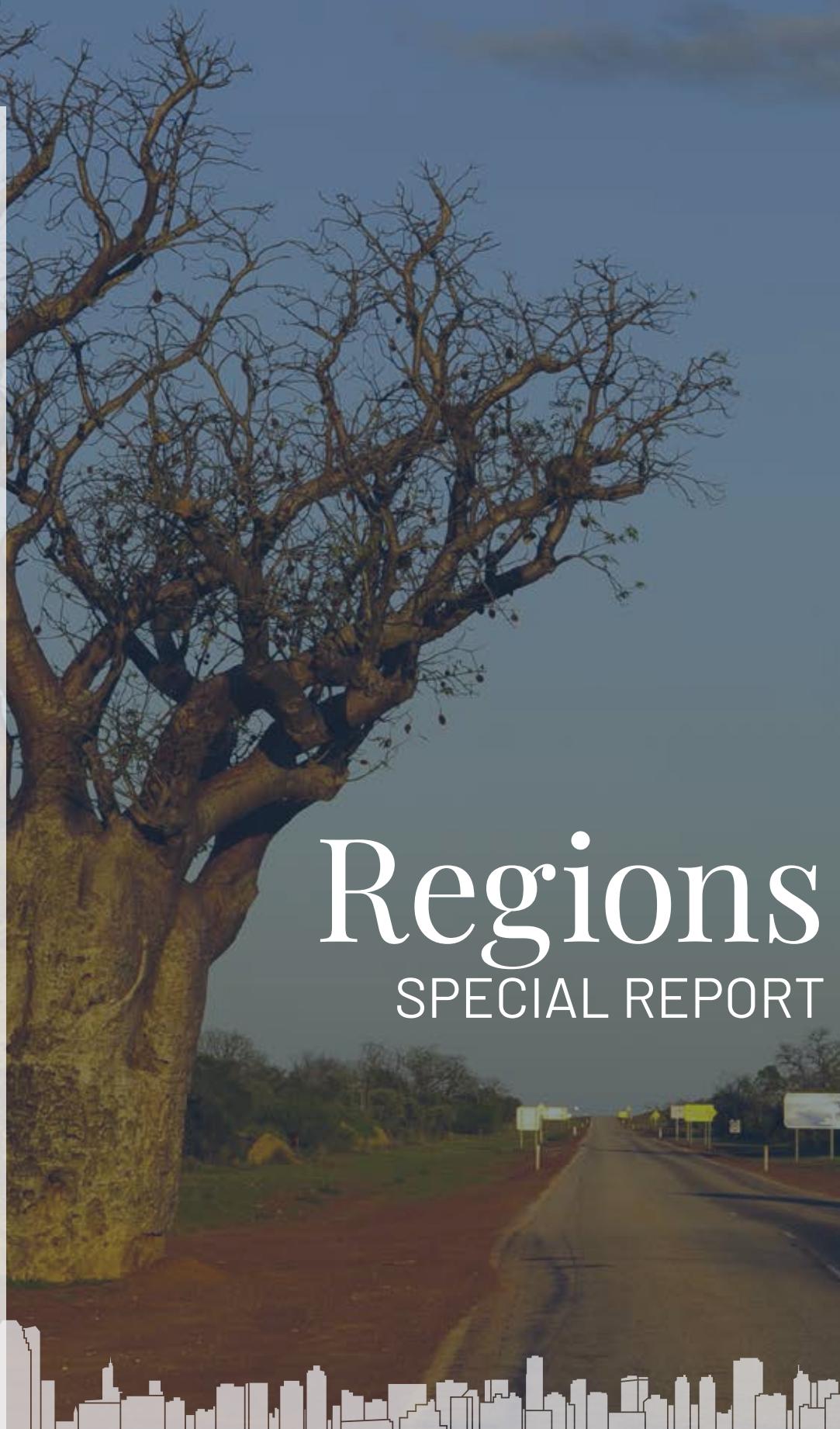
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