

Markets: Perth's housing crisis

Description of task	Students will read an article titled “ <i>Property experts warn Perth’s housing crisis to become a ‘catastrophe’ when WA border drops</i> ” that describes both the surging demand and supply shortages for housing in Western Australia following the reopening of state borders following the global pandemic. Students then answer a series of questions related to the article.
Assessment Conditions	Students will have 20 minutes to answer all questions. 12 marks in total.
Content from the Year 11 Economics ATAR curriculum	Demand, supply and equilibrium <ul style="list-style-type: none"> • factors affecting supply <ul style="list-style-type: none"> ▪ price ▪ costs of production ▪ factors of production ▪ expected future prices ▪ number of suppliers ▪ technology • the concept of market equilibrium • the effect of changes in demand and supply on market equilibrium • how the price mechanism clears market surpluses and shortages
Economic Skills	<ul style="list-style-type: none"> • Economic Reasoning and Interpretation • Communication
Task preparation	
Prior learning	Students are familiar with the following economic knowledge and understandings: <ul style="list-style-type: none"> • the effect of changes in price on quantity demanded i.e. expansion or contraction of demand • the effect of changes in non-price factors on quantity demanded i.e. increase or decrease in demand • the law of supply • the effect of changes in non-price factors on quantity demanded i.e. increase or decrease in demand • the concepts of market clearing, shortages and surpluses
Assessment task	
Resources	“ Property experts warn Perth’s housing crisis to become a ‘catastrophe’ when WA border drops ” by Sarah Brookes, The Sydney Morning Herald, and published on 24 February 2022, from https://www.smh.com.au/property/news/property-experts-warn-perth-s-housing-crisis-to-become-a-catastrophe-when-wa-border-drops-20220223-p59z21.html

Question

(12 marks)

This question refers to the edited extract below, which is from an article by Sarah Brookes, The Sydney Morning Herald, and published on 24 February 2022.

Property experts warn Perth’s housing crisis to become a ‘catastrophe’ when WA border drops

Perth property experts believe the city’s housing market is on a knife edge and when ‘Fortress WA’ reopens on March 3, an influx of tens of thousands of residents will be like a “torpedo heading for a submarine”. Industry insiders predict anywhere from 20,000-80,000 interstate and overseas migrants will be fighting over only 10,000 properties in the months after reopening, and the current housing crisis will become a housing “catastrophe” with price rises that tip the market into a boom-bust cycle. State government projections released in December predicted WA’s population would grow by 1% in 2022-23 (26,800 people), 1.3% in 2023-24 (34,840 people) and 1.4% in 2024-25 (37,520 people). CoreLogic’s latest statistics show currently fewer than 8000 properties to buy in Perth and 2000 properties to rent.

Ryan Thompson, a director of a company that coaches real estate agents, said Perth was already struggling with demand. “I am told there has been permission given to 30,000 people to return or come to Perth from March and there are another 50,000 awaiting approval,” Mr Thompson said. “I’ve been in real estate for 20 years and I’ve never seen a situation like this before,” he said. “The queues will be worse than the lines we saw last year. Mr Thompson expected a gain of at least 10-20% on house prices and possibly even a doubling.

“We will have a major rental catastrophe,” he said. “Rents are already going at \$100 per week above asking price in this market, rents will be going at \$200 to \$400 per week above the asking rent, ridiculously high levels of unaffordability. We have a housing crisis already. which will become a housing catastrophe as the borders reopen,” he said.

Mr Thompson also said the building industry was gridlocked because the borders had cut off its labour supply and increased the cost of materials. “Building at the moment is a nightmare and you’d be lucky to get something built in two to three years,” he said.

- (a) (i) Identify the State government’s predicted percentage increase in WA’s population between 2022 and 2025. (1 mark)

- (ii) Using evidence from the article, explain why property experts believe WA’s housing market will become a ‘housing catastrophe’. (2 marks)

(b) Explain any **two (2)** non-price factors that would affect the supply of housing. (4 marks)

1. _____

2. _____

