Port Hedland fibro drops 72% in 4 years

Article and photo from ABC news:

A house in the mining town of Port Hedland has been passed in at auction for $360,000 after it was bought four years ago for $1.3 million.

The three-bedroom, one-bathroom fibro and iron house was built in the Western Australian town in the 1960s.

Real estate agent Barry Walsh said it was a sign the mining boom's construction phase, which drove property prices to unrealistic levels, had tapered off.

He said prices were also very high during that phase because there was a high demand for accommodation and a lack of available land to build property on.

Mr Walsh said the real estate market, which had been attracting phenomenal rents of thousands of dollars a week, was unsustainable.

A spectator at the auction said "it was an extraordinary event".

Mr Walsh said the auction showed that people could now afford to buy homes in Port Hedland again, and the town might be able to rely on a local workforce and fewer fly-in, fly-out workers.

Bursting bubble

Anyone who's ever driven into Port Hedland from the ranges will realise how absurd it is that anyone ever thought that there was a 'lack of available land' in the region. What an amazing bubble that was.

Port Hedland isn't typical - if it's in any way indicative of what can happen in the rest of Australia, it's clearly a more extreme example. But many property investors would be wise to study this case and note a few lessons regardless:

1. Most Australian supply-side constraints are man-made rather than geographical. Coastal and inner city are perhaps the only exceptions.

2. Demand can fall suddenly (in Port Hedland, the mining capex bust was the explanation. Nationwide, high unemployment, banking troubles and/or any broad cut in immigration will be the more likely triggers).

3. House prices can indeed fall.