

# Bankrupt IN Baldiivis

How the four Ds – Death, Divorce, Debt and Desperation – saw postcode 6171 become Australia's capital of fiscal heartache

JOSH ZIMMERMAN

EVERY hour Melissa's Baldiivis home spends on the property market drags her closer to financial ruin.

Despite dropping the asking price \$30,000 below the \$400,000 she paid seven years ago, the house has failed to attract a single offer for eight months.

If it does not sell in the next three weeks, the 39-year-old mother of three will be forced to declare bankruptcy, writing off both the Baldiivis residence and an investment property in Armadale.

"We bought at the peak of the market with a \$100,000 deposit after selling our previous home in Armadale," Melissa said.

"We wanted a sea change for the kids and to be closer to the beach and used a chunk of that deposit money for renovations.

"Then 15-months ago I separated from my husband, moved out and found myself paying two lots of mortgages and rent. It's amazing how quickly it can turn to \$---."

Chalk up one more shattered dream in Australia's capital of fiscal heartbreak.

When analytics firm Illion released its national bankruptcy report last month the people on the frontline of Perth's credit crunch were not surprised to see postcode 6171 topping the list.

Many of the 105 Baldiivis residents forced to declare themselves insolvent over the past 12 months came through Jacky Hamilton's door.

Based in Rockingham, the Anglicare financial counsellor is acutely aware of the growing number of Melissas with such little equity in their homes they are lucky to own the curtains.

"Unfortunately we've seen an awful lot of people going through bankruptcy in the last two years, particularly in the Baldiivis area," Mrs Hamilton said.

"It is a suburb with a massive area of new builds and not a lot of equity in those homes."

"Once FICO work dried up and the property market cooled off, people were suddenly sitting in houses worth \$60,000 to \$100,000 less than they paid. In that situation and with no equity it makes sense to opt for the bankruptcy road."

The number of West Australians forced to declare themselves bankrupt each year has soared almost 70 per cent from 2,452 in 2013-14 to 4,130 last financial year.

About 22,000 people lost full-time mining sector jobs between 2013



AGENT BRUNO ADOLPHE

It's nothing for a property to be on the market for a year, year and a half.

## BROKEN DREAMS BY THE NUMBERS

Worst WA suburbs for personal bankruptcy in 2017-18:

Baldiivis	Ellenbrook	Byford
105	68	61
Gosnells	Butler	
59	51	

Personal bankruptcies in WA:

2013-14:	2014-15:
2452	2485
2015-16:	2016-17:
3047	3698
2017-18:	
4130	

Source: Illion



FINANCIAL COUNSELLOR JACKY HAMILTON

and 2015. With no high-paid work fuelling rapid interstate and international migration, it did not take long for the previously hot housing market to turn frigid.

On the outskirts of Perth especially — where low-equity loans were handed out both to owner-occupiers driven to the city's fringes in search of affordability

and capital gains investors looking for a quick buck — the consequences have been disastrous.

Baldiivis' population grew rapidly from 6000 in 2006 to more than 30,000 today.

But that growth was

heavily linked to the mining construction boom and once FICO jobs went into freefall the "For Sale" signs began appearing in earnest.

Today, more than 600 Baldiivis properties are on the market and the suburb's median house price has fallen 14.1 per cent from a peak of \$460,000 in 2014 to \$395,000.

Not surprisingly, the other Perth suburbs in the top five for personal bankruptcies last year — Ellenbrook (68), Byford (61), Gosnells (59) and Butler (51) — have all experienced similar declines in property values.

Clearly Baldiivis is far from the only place where house prices have fallen sharply, but there are a number of other factors that have compounded financial woes in the southern suburb. Since being zoned for

development in the 1990s, housing estates with idyllic sounding names like Evermore Heights, Highbury Park and The Dales have mushroomed.

Subdivision reached a frenetic pace over the past decade — it continues today — and the glut of house and land packages has pushed down demand for existing homes even further, according to Mallsion Real Estate general manager Bruno Adolphe.

"Every other month you see a new estate coming up which keeps a lid on values because people are saying, 'Why spend \$400,000 on a five or 10-year-old home' when I can build my own exactly how I want it for even cheaper than that?" Mr Adolphe said.

"That means the demand is just not there. As we

which hardly matters when you're only driving to the airport once every couple of weeks, but quickly becomes an expensive burden when your daily work lies north of the Swan River.

Melissa is a prime example. Renting in Baldiivis, she shells out \$120 a week commuting to her work in High Wycombe — a 110km round-trip each day.

She is also typical of another of the main causes of bankruptcy, especially in a suburb like Baldiivis with a high concentration of young families: relationship breakdown.

"If we had managed to keep the marriage together everything would be fine," she said.

"We both have steady jobs and we thought we were doing the right by having an investment property and hoping to eventually have another to set us and the kids up. hindsight is a wonderful thing."

Mr Adolphe said he often felt like he was filling the role of priest, psychologist and marriage counsellor in addition to real estate agent for his clients.

"It's an unfortunate scenario, but certainly a lot of our business these last three years is derived from what we call the four Ds: Death, Divorce, Debt and Desperation," he said.

"Baldiivis has grown so much so quickly and become very much a blue-collar worker area so with the declination of the mining industry it has been tough."

The crackdown on lending in the wake of the banking royal commission has also been a double-edged sword, acting both as a barrier to new buyers entering the market and preventing existing mortgage holders from refinancing to take advantage of the record low Reserve Bank rate.

Mortgage broker and Western Finance Group director Toby Owen said during the peak of the property market it was not unusual for banks to approve loans with as little as 2.5 per cent in deposits.

"Now, five years down the track first-homebuyers and second-homebuyers have not had the ability to decrease the principal off the mortgage and their house has actually lost value," he said.

"They want to refinance to get a lower rate, but now do not have enough equity to do so. Even if they can find a bank that will agree to refinancing the existing loan, this results in the client again paying mortgage insurance, which means you're often no better off."

"Basically, once you are in negative equity you are locked in with your existing lender and interest rate as the banks hold all the cards."

MORTGAGE BROKER

TOBY OWEN