

Perth Residential Market Snapshot November 2018

While the housing market remains subdued, there are some glimmers of light in the broader economy.

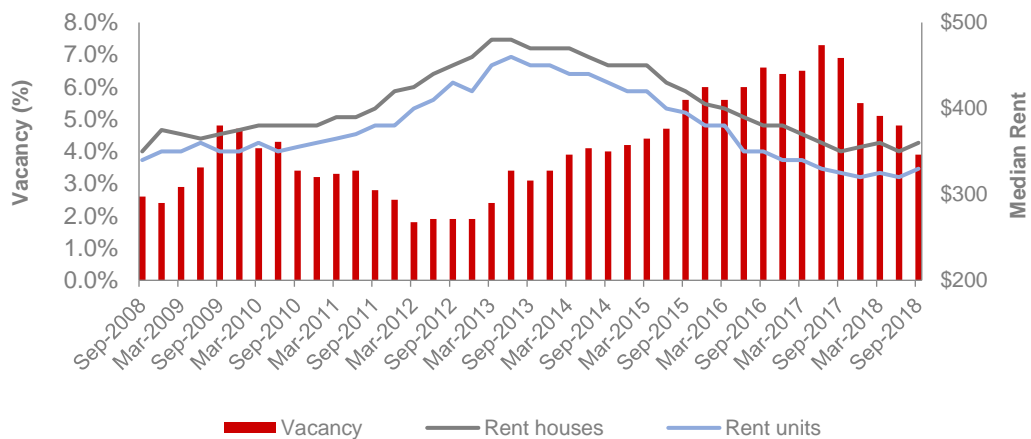
	2018		Month/Qtr Increase	Annual Increase	Recent Trend
Economy					
Population	Mar (Q)	2.592 mill	0.30%	0.82%	▲
Unemployment (SA)	Oct (M)	5.7%	-0.3 ppt	-0.3 ppt	▼
State Final Demand	Jun (Q)	\$50.944 bill	0.16%	0.75%	▲
CPI	Sep (Q)	110.8 (index)	0.54%	1.2%	▲
Residential Market					
Variable, discounted (owner-occupier) home loan rate	Oct (M)	4.65%	+0.1 ppt	+0.2 ppt	▲
Residential Building Applications (SA)	Sep (M)	1,231	-19.0%	-36.8%	▼
Value Residential Building Applications (SA)	Sep (M)	\$410.5 mill	-31.7%	-22.5%	▼
Dwelling Units Commenced	Jun (Q)	3,929	-2.8%	-15.4%	▼
Housing Finance (Owner-Occupiers) – Construction of new dwellings	Sep (M)	755	-12.9%	-22.6%	▼
Total Housing Finance Commitments (SA)	Sep (M)	4,993	4.7%	-9.2%	▲
Change in Dwelling Value	Oct (M)		-0.8%	-3.3%	▼
Rental Vacancy	Sep (Q)	3.9%	-0.9 ppt	-3.0 ppt	▼

Source: ABS; CoreLogic; Moody; REIWA; PVA Research. (SA=Seasonally adjusted; M=Monthly; Q= Quarterly)

- Population growth has reduced by more than 50,000 people per year from its peak in 2012.
- Net overseas migration has decreased significantly over the last six years. Net interstate migration has been negative since the March 2014 quarter.
- While there was evidence to support improvements in the housing market in 2017 and early 2018, the residential market in Perth has since experienced a further downturn. According to CoreLogic, in the ten years to October 2018, dwelling values have fallen 1.1% in Perth, and prices have fallen 14.2% since their June 2014 peak. All other capital cities, with the exception of Darwin, have witnessed increases between 16.1% and 81.4% over the ten year period.
- The *Strata Titles Amendment Bill 2018* has passed the upper house, and it is likely that the *Community Titles Bill* will also pass shortly. Landgate has been tasked with drafting regulations for the new reforms which are due to be effective late 2019. The reforms will provide increased protection for strata owners through regulation of strata managers, and provide new development options.
- Sentiment in the residential property market has improved, but is still negative in WA according to National Australia Bank's *Residential Property Survey Q3 2018*. The index improved by 12 points from the June 2018 quarter to -14 in the September 2018 quarter.
- ANZ estimate a 3.0% fall in housing prices during 2018, followed by a 1.0% fall in 2019.

- APRA's credit restrictions over the last 18 months, which were designed to curb high risk lending, are also impacting on ordinary home buyers, who are experiencing lengthy delays and constraints to accessing finance. The effect is also being felt down the line with a slow-down in new residential building activity. There are concerns that the findings of the *Hayne Royal Commission* may result in further lending restrictions.
- A report by Moody's published in October 2018 shows that Perth has the highest mortgage delinquency rate (a measurement of percentage of loans which have late or overdue payments) in the country despite having one of the highest average incomes. Perth's delinquency rates were between 2.0% and 3.0%, with the highest rate being for properties 20 to 30 kilometres from the CBD.
- The average price of lots sold in the Perth Metropolitan and Peel Region in the September 2018 quarter decreased by 2.3% over the June 2018 quarter, from \$230,825 to \$225,578. In the same period the average lot size increased from 385 square metres to 387 square metres. In consequence the average price per square metre decreased by 2.8% from \$599 to \$582.
- While the housing market remains subdued there are signs of improvements in the rental market, which, according to REIWA, has had a strong September quarter.
 - REIWA data suggests that vacancy rates decreased from 4.8% in the June 2018 quarter to 3.9% in the September 2018 quarter. This is the lowest level of vacancy since the March 2014 quarter.
 - The industry vacancy rate benchmark for residential property is generally considered to be around 3%. Vacancy rates lower than 3% indicate strong demand for rental accommodation, while vacancy rates higher than 4% are generally considered to reflect an oversupply of rental accommodation.

Perth: Vacancy Rates & Median Rent



- The median weekly rent for houses in the September 2018 quarter increased to \$360 from \$350 in the June 2018 quarter. Median weekly rent for units increased to \$330 from \$320 in the same period.

Source: ABS; CoreLogic; Moody; WA Government; NAB; ANZ; HIA; UDIA; REIWA; PVA(WA) Research.

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