

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

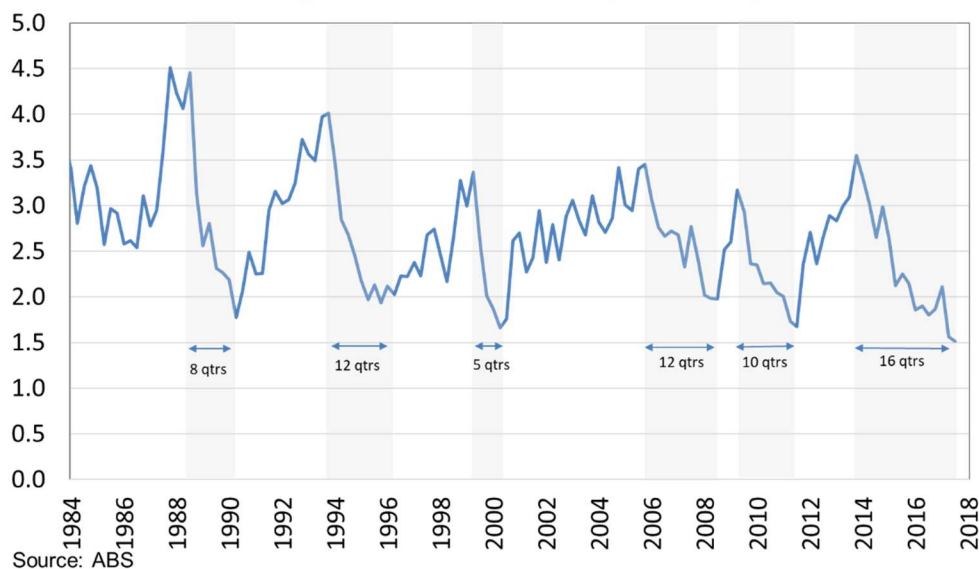
Media release

WA dwelling commencements fall to record lows

The Housing Industry Forecasting Group (HIFG)'s latest report found that dwelling commencements in Western Australia fell to record lows in 2017-18, and predicts that the state's housing sector will remain flat in 2018-19.

The Group, which includes representatives from AHURI, Bankwest, the CCIWA, HIA, Landgate, Landcorp, MBA, Property Council, REIWA, UDIA, the Department of Communities, Department of Planning, Lands and Heritage, Department of Treasury and the Water Corporation, noted that the number of dwelling commencements per 1,000 persons has plummeted to the lowest quarterly level since records began in 1984.

WA Dwelling Commencements per 1000 persons



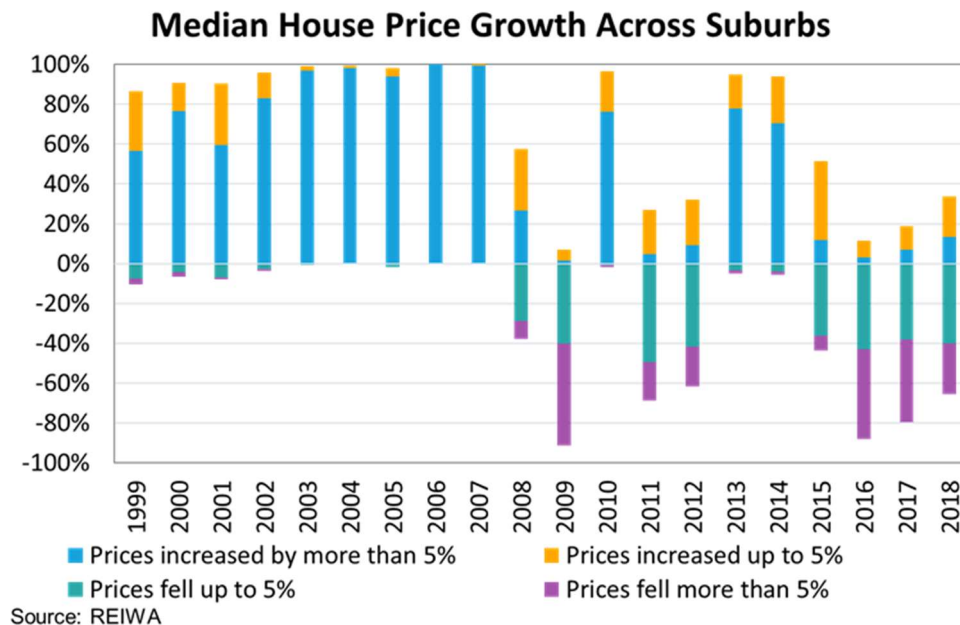
HIFG Chair, Dr Steven Rowley commented that “this is the most sustained downturn in thirty years. Population growth has been slower than expected and there’s an oversupply of houses in the established market that just aren’t moving. This has all led to softer demand for new builds. Until we see stronger population growth, we’re unlikely to see an improvement in dwelling commencements”.

Due to prevailing market conditions, the Group has forecast 18,000 dwelling commencements for 2018-19, a level similar to 2017-18. The Group is expecting a slow and subdued pick-up in commencements from 2019-20 and into 2020-21 in line with anticipated population growth. The Group foresees no difficulty in meeting the predicted need for serviced residential lots in the forecast period, even if demand rebounds quicker than expected.

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The Report noted that despite house prices falling in two-thirds of the Perth metro-region, prices have been rising in desirable locations.



The rental market is showing signs of tightening, with the rental vacancy rate at four-year lows. Dr Rowley adds “if this trend continues, we’re likely to see an increase in rents which may lure renters into new purchases and builds”.

“WA is still the state of the first home buyer, representing almost a quarter of the housing market. This is still much higher than the national average. Funding opportunities from Keystart, low interest rates and a buyers’ market have provided good conditions for first home buyers in WA”.

The Group is concerned that impediments to investment in the housing market, like the Foreign Buyer Surcharge and any fallout from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, will likely have adverse effects upon already subdued conditions.

Housing affordability continues to be a significant issue for Western Australian households on low incomes despite soft house prices and relatively low rents.

Note:

The Housing Industry Forecasting Group is a joint housing industry and government body providing independent forecasts and commentary on the Western Australian housing sector.

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