



September Quarter 2011

REIWA market update

Quarterly review of the WA residential property market

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Centre Spread Lift-out colour maps

▶ Perth House Prices

Median prices of established house sales for 12 months to September 2011

▶ Regional House Prices

Median prices of established house sales (land less than 1Ha) in major regional centres for 12 months to September 2011

About the REIWA Market Update

The Market Update is a quarterly review of the property market in Western Australia and is published by the Real Estate Institute of WA.

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Green shoots of recovery emerge

Despite turnover remaining flat across Western Australia, green shoots are starting to emerge that give some signs that the current cycle may be nearing the bottom and a mild recovery may be on the horizon. Leading the indicators are an increase in first home buyer activity which has been trending up over the past 12 months. With first home buyers taking property from the market, so to have listings been trending down in most markets across the State for the past six months. While we haven't as yet seen the upturn in overall turnover, there has been a steady flow of property into rental sector to meet an insatiable demand which has seen Perth's vacancy rate fall below the 3% threshold. Clearly sections of the community remain nervous and choose to rent in uncertain times.

Other factors giving rise to some optimism for increased turnover in the foreseeable future are improving rental yields, rising rents and tightening vacancy rates which may attract some investor activity back into the market. In addition, Western Australia's population growth is projected to continue to grow at 2.2% or around 50,000 for at least the next couple of years and a 10% slowdown in new dwelling activity in 2011-12 as flagged by the WA Housing Industry

Forecasting Group will result in some under-build which in turn tightens the overall supply situation particularly in the Perth market.

With dwelling prices continuing to adjust downward in most markets and in particular the South West where prices have fallen back to 2006 levels in some markets, discounting has flattened off as vendors adjust their expectations. Whilst the outlook for prices remains unclear with various commentators prognosticating rises and falls of as much as 20%, buyers will return as they see value in the market and buoyed on by the prospect of further interest rate cuts in 2012 after the recent first fall in the official cash rate since 2009. However whilst the lower inflation driver for lower interest is emerging so too are there risks that may derail any soft recovery.

Consumer confidence remains brittle and can turn on just one media headline. The risks of a double dip global recession are not far below the surface and the Reserve Bank has further downgraded its economic forecast for 2011-12 based on its assessment of potential impacts as the European financial turmoil unfolds.

WESTERN AUSTRALIA REAL ESTATE INDICATORS - SEPTEMBER QUARTER 2011						
	September Qtr 2011 Preliminary	June Qtr 2011 Revised	% change from previous quarter	% change from previous year		
Median sale price.1						
Houses, Perth	\$450,000	\$480,000	-6.3%	-8.2%	Preliminary median house and unit prices and estimated sales volume for current quarter based on a dataset of approximately 75% of transactions for the quarter. Median house & land prices for sales less than 1 Ha. Land sales estimates based on approximately 45% of expected transactions for the quarter. Figures are therefore subject to revision.	
Houses, Regional WA	\$357,000	\$375,000	-4.7%	-3.4%		
Units/apartments, Perth	\$386,000	\$405,000	-4.7%	-5.9%		
Units/apartments, Regional WA	\$320,000	\$352,500	-9.2%	-2.1%		
Land, Perth	\$255,000	\$235,000	8.5%	6.3%		
Land, Regional WA	\$165,000	\$176,000	-6.3%	1.9%		
Buyer type 2 (% of all buyers in WA)						
First home buyer	28%	26%	+2% pts	+6% pts		
Trade-up Buyers	64%	64%	n.c.	-4% pts		
Investor	8%	10%	-2% pts	-2% pts		
Sales,1						
Houses, WA	7,600	7,600	0.0%	-1.3%	1 Median sales prices are derived from Landgate sales information 2 Buyer type information, average selling time and sales to listing ration taken from REIWA, COM & Office of State Revenue 3 Rental market data from REIWA.COM and member surveys 4 Building approvals data from the Australian Bureau of Statistics 5 Finance approvals data from the Australian Bureau of Statistics 6 Interest rate data from Reserve Bank 7 CPI data from Australian Bureau of Statistics	
Units/apartments, WA	1,400	1,600	-12.5%	-12.5%		
Total dwellings WA	9,000	9,200	-2.2%	-3.2%		
Land, WA	2,700	3,500	-22.9%	-15.6%		
Average selling days residential property, Perth	79 days	79 days	n.c.	+ 16 days		
Sales to listings ratio, Perth	60.9%	58.3%	2.6%	7.1%		
Properties for sale (end of qtr), Perth	14,959	17,437	-14.0%	-4.0%		
Rental Market 3						
Vacancy rate, Perth	2.8%	3.4%	-0.6% pts	-0.6% pts		
Median weekly rent	\$395	\$380	3.9%	6.8%		
Construction 4						
Building approvals, all dwellings WA	5,007	4,904	2.1%	-3.6%		
Finance 5						
New home loan approvals, WA (includes refinancing)	19,201	18,676	2.8%	16.3%		
Interest Rates 6 (at quarters end)						
Official Cash Rate	4.75%	4.75%	n.c.	0.25% pts		
Standard Variable Bank Home Loan Rate	7.80%	7.80%	n.c.	0.4% pts		
Consumer Price Index 7						
Perth	178.8	178.4	0.2%	2.8%		
Weighted Average - Eight Capital Cities	179.4	178.3	0.6%	3.5%		

Perth Housing and Land Market ◀ PERTH REGION

Housing Market

Perth's median house price continued its downward trend in the September quarter, recording its fifth fall out of the last six quarters since the market peaked in March 2010. The preliminary Landgate median of \$450,000 equates to a 6.3% quarterly fall on the revised June quarter median of \$480,000. Based on this preliminary figure the annual decline is 8%. However reiwa.com data suggests the fall is not as significant and is more like 2-3% that would take the median down to around \$465,000. At the time of writing, the Landgate median had risen to \$453,000.

Despite negligible movement in overall sales activity in the September quarter, much of the decline in the overall market median is attributed to stronger first home buyer activity which is very evident through both FHOG paid data which has been trending up since September 2010 and increased sales activity in all price ranges below the median (see page 9). The increased first home buyer activity is apparent in the sub-regional analysis which indicates all the outer sub-regions had increased turnover at the expense of the Central Sub-Region.

The sub-regional analysis indicates some variability in median movements with only Belmont (currently 1.6%) in the Central Sub-Region showing any rise in the quarterly median. The Central Sub-Region (-7.5%) has experienced the biggest fall for the quarter but is expected to moderate with more settlements although the diversity of the respective Inner and Middle sub-markets may mitigate against this. Both the North West (-4.3%) and North East (-6.6%) are also showing strong falls reflecting the stronger first home buyer activity. The South West Sub-Region's overall median was steady at \$400,000 for the quarter yet each of its sub-markets had falls to their respective medians. The South East Sub-Region (-3.4%) experienced its first fall in its overall median since September 2010 and this was due to all sub-markets in the sub-region falling whereas these sub-markets had experienced some increases at different times over the past 12 months.

In terms of the more stable annual median sale price, the preliminary quarterly change in the annual median for year to September figure from the revised Year to June figure is less significant at -1.2%. This has taken the preliminary annual median for the Year to September down to \$479,000 from \$485,000 for the Year to June. With the falling annual median, so too has the 5 year Average Annual Growth Rate (AAGR) fallen to under 5% p.a. (4.0%) and has come off significantly from the 11.3% p.a. recorded in the Year to September 2010.

Multi-residential Dwelling Market

Perth's multi-residential market took a hit in terms of both turnover and price in the September quarter. Preliminary data has the median falling 4.7% to \$386,000 and this has only improved marginally to \$388,000 at the time of writing. In annual terms, the median is now off 5.9% on the September quarter 2010. The sales distribution (page 9) indicates a strong surge in sales in the \$250-300,000 range along with a fall in the \$550-600,000 and \$700k to \$1 million ranges.

Estimates based on preliminary data suggest multi-residential turnover fell by at least 10%, making it the lowest level of sales since the downturn after the 2004-07 boom. It is unclear why such a significant drop has occurred although the influence of a new tax year may have seen reduced investor activity but this has occurred at the same time as increased first home buyer activity. This would suggest first home buyers may not be that active in the multi-residential market.

The Central Sub-Regional analysis presents more prescriptive analysis of the multi-residential market as it dominates overall activity. In terms of the two larger outer multi-residential sub-regional markets:

- volume increased in the quarter but remains down on earlier years in the North West with the median (\$360,000) falling (-3.5%) for a third quarter out of the past four, pushing the median down 10% for the year
- estimated volumes have slipped in the South West and the median is down 1% to \$345,000 but up 8% for the year

Looking at the more stable annual median for the Year to September, the quarterly change in the annual median from the Year to June has only been a fall of 1.2%. This saw the annual median for the Year to September drop from \$406,000 in the Year to June to \$401,000. Like the housing market, the multi-residential 5 year AAGR has also fallen below 5% (4.6% p.a.) and is down from 10.6% p.a. for the 5 years to the Year to September 2010.

