

Housing Market Report

Autumn 2017 Edition



Western Australia overview

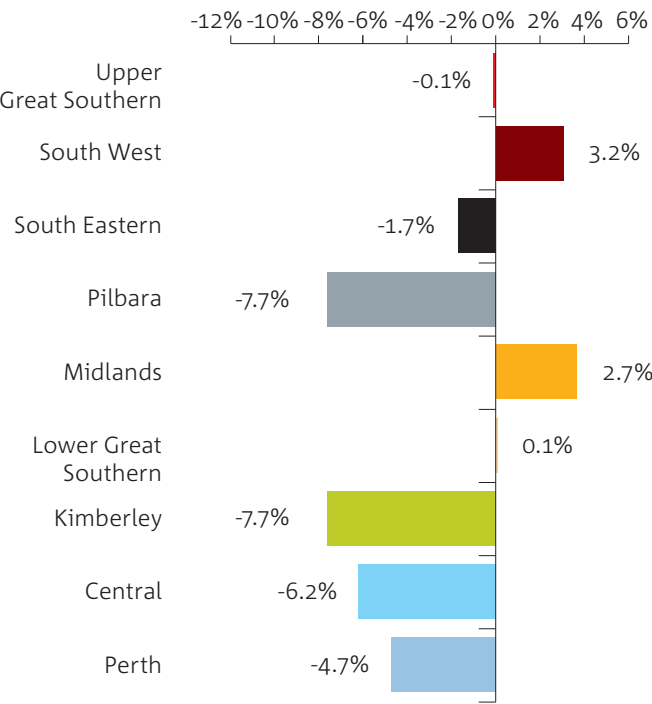
CoreLogic’s view:

Since the peak in commodity prices and the subsequent wind down of major infrastructure projects, the Western Australian housing market has been weak. The state continues to experience negative net interstate migration which is detracting from housing demand, labour markets remain soft and the number of homes available for sale remains high, all of which adds to the weak housing market conditions.

Home values peaked in December 2014 across Perth and have been trending lower since that time. The last twelve months has seen Perth home values fall by a further 4.7%, with similar trends recorded across both detached housing (-4.6%) and the unit sector (-5.5%). A silver lining to the housing market downturn is that housing affordability has improved and buyers can negotiate hard on price and take their time in making their purchase decision.

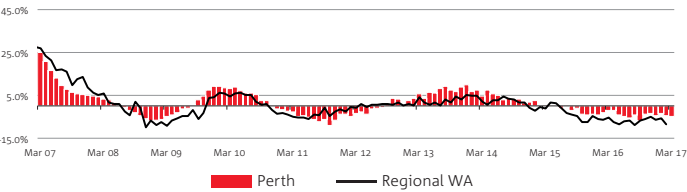
The regional areas of the state have generally recorded lower home values over the past twelve months, with the weakest results coming from the key mining areas of Pilbara and Kimberly where home values are 7.7% lower over the past twelve months. Conversely, home values have increased in some areas not so heavily linked with the mining sector. The South West region of WA has recorded a 3.2% rise in home values over the past twelve months and Midland home values are 2.7% higher.

Annual change in home values over past year*



*Data for homes in capital cities, houses in regional areas. Data to Mar-17 for capital cities, Feb-17 for regional areas
Source: CoreLogic

Annual change in home values, Perth and Regional WA



Important information

See next page for details regarding source data used in this report.

NAB’s view:

There are signs that mining headwinds are dissipating, but property prices are still dropping. More falls are expected before stabilising into 2018.

Perth’s property market has felt the strain from falling mining investment as it weighs heavily on the local economy. The impact on the local labour market has been severe, contributing to an exodus of the local population interstate and sharply lower overseas inward migration. While there may be more pain to come as major LNG construction projects reach completion, the drag from lower mining investment on the WA economy does appear to be dissipating, while improvements in commodity prices appear to be having some positive flow on effects – which may help to stabilise the property market.

Perth’s property market continues to come under strain. Conditions are likely to remain weak in the near-term, but a more stable market is on the horizon.

While property prices are lower over the year, they have been looking relatively stable in recent months – although with WA increasing its first home owners grant this year, a more pronounced lift in prices might have been expected. Meanwhile, other timely indicators of market activity have been relatively disappointing. Rents were falling faster than prices over 2016, making property particularly unappealing for investors. Sales volumes are also down, while the time on market and average vendor discount is higher – suggesting buyer interest remains limited. At the same time, vacancy rates continue to rise, made worse by relatively elevated rates of home completions – left over from the construction boom of previous years.

Unsurprisingly, market sentiment in WA remains extremely weak according to the **NAB Residential Property Survey** (by far the weakest of any state), despite showing a sizeable improvement in the first quarter of 2017, to its highest level since 2015. That said, price expectations for the next 1-2 years saw little-to-no improvement, although they still point to a stabilisation in prices going forward.

Both house and apartment prices in Perth are expected to fall a further 3.4% and 6% respectively in 2017. However, tentative signs that both the local economy and property market may stabilise in the medium term suggests we could see flat-to-modestly higher prices from 2018.



Important information about this report

The information on the white background (headed CoreLogic’s view) is about the housing market in the 12-month period to March 2017 for information about capital cities and to February 2017 for information about regional areas.

It was provided by RP Data Pty Ltd, which trades as CoreLogic Asia Pacific, but is referred to in this report as CoreLogic.

The information on the grey background (headed NAB’s view) is provided by NAB Group Economics, taking into account data sourced until March 2017. It’s our economists’ view about the national capital city house and unit price growth over the next 9 months to December 2017.

NAB’s view takes into consideration the March 2017 NAB Residential Property Survey of property market professionals. The survey asked participants to give their views on where they think house prices are expected to move.

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2.4 The NAB Residential Property Survey

The NAB Residential Property Survey referenced in this report consists of extracts from data obtained by NAB from a March 2017 survey of property professionals. This reflects the surveyed property professionals’ views about what they think will happen to the housing market in Australia in a 24 month period up to March 2019. The views in the survey do not necessarily reflect NAB’s views except where expressly called out in this report.