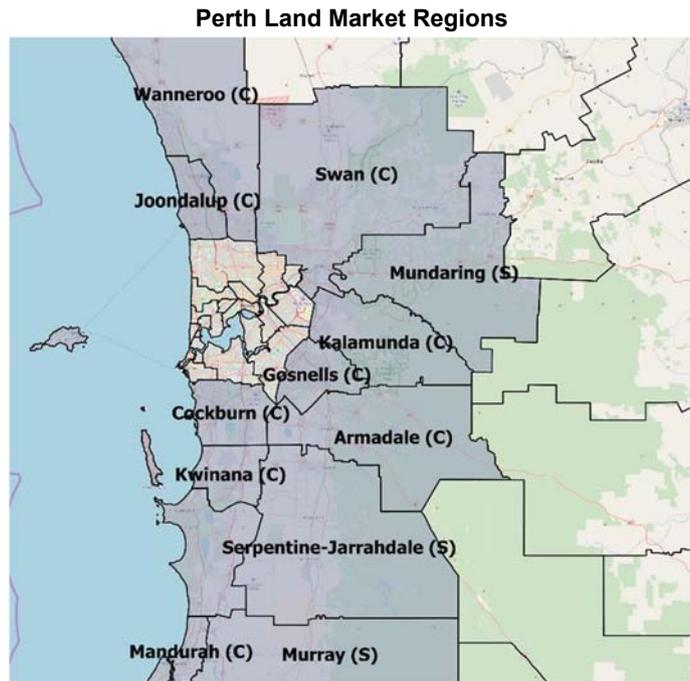


The Outer Perth land market has weakened considerably after lot production rose to record levels over 2011/12 to 2014/15. Vacancy rates are rising and house and land prices have declined. Purchaser demand is contracting as Western Australia's economy weakens, causing overseas migration into the state to shrink and a rising net outflow of interstate migrants.

This paper profiles the various indicators relating to demand, dwelling and lot supply, and prices in the Outer Perth land market. The regions are defined as follows:

- **North West** (Joondalup and Wanneroo LGAs)
- **Eastern** (Kalamunda, Mundaring and Swan LGAs)
- **South East** (Armadale, Gosnells and Serpentine–Jarrahdale LGAs)
- **South West** (Cockburn, Kwinana, and Rockingham LGAs)
- **Peel** (Mandurah and Murray LGAs).

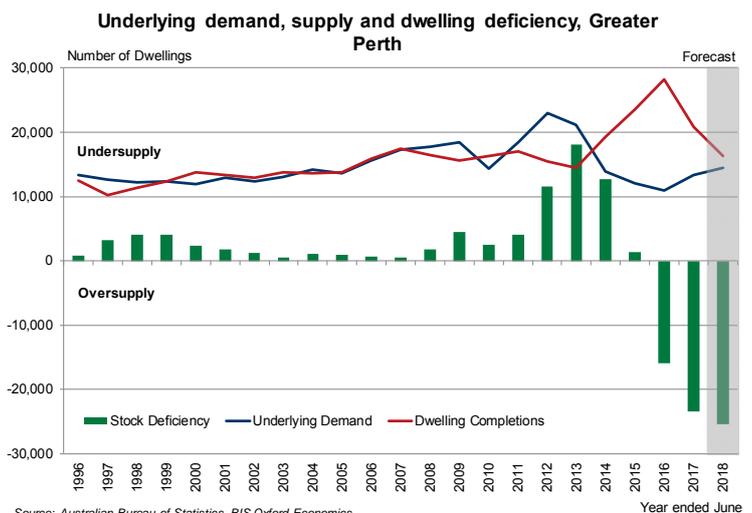


Source: OpenStreetMap

STOCK DEFICIENCY

Population growth and underlying demand peaked through 2011/12 before subsequently slowing with underlying demand falling by about half between 2012 and 2016. Dwelling completions rose substantially from 2014 to 2016, surpassing now declining underlying demand and significantly eroding the stock deficiency.

Completions rose to a peak of 28,200 in 2016. This resulted in a substantial surplus of dwelling stock emerging. Despite completions reducing in 2017, they remained substantially higher than the low level of underlying demand and the stock surplus has continued to rise sharply. This has resulted in the Perth vacancy rate rising to 7.3% by June 2017, well above the balanced market rate of 3%.

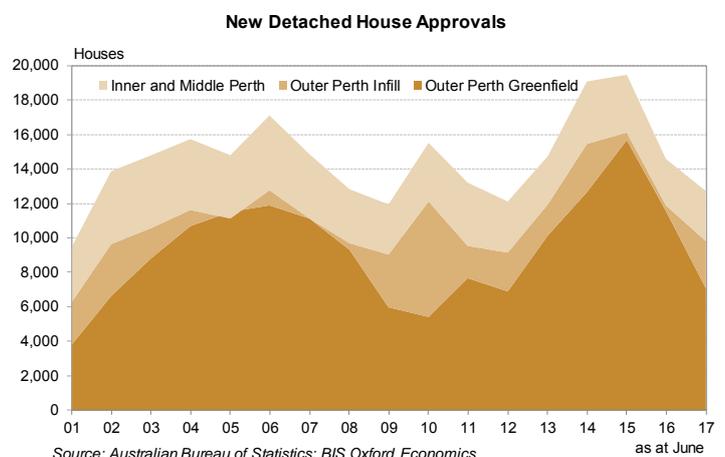


Source: Australian Bureau of Statistics, BIS Oxford Economics

HOUSE APPROVALS

Infill development of new houses can take place as knock downs, as well as new houses being built on infill or brownfield sites. The level of infill activity generally moves in line with the cycle. However, being constrained by the more limited availability of sites, it is significantly more stable than demand for greenfield houses.

Over the 2001 to 2017 period, greenfield land is estimated to have accommodated around 64% of Perth's new house demand, being as low as 35% (in 2010) and as high as 81% (in 2015). Around 56% of new houses in 2017 were accommodated on greenfield land.



Source: Australian Bureau of Statistics; BIS Oxford Economics

LOT PRODUCTION

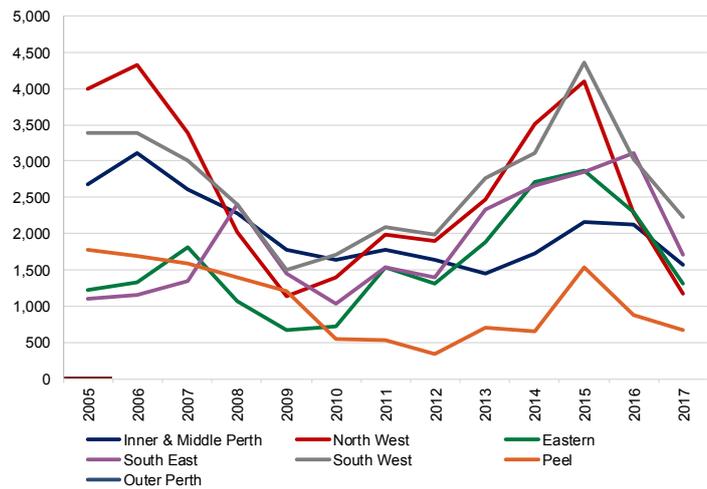
Land production in Outer Perth more than doubled over the three years to 2014/15 to peak at 15,700 lot releases. This coincided with record new house approvals. Shrinking demand reduced approval numbers and lot production consequently dropped by more than half, to 7,100 lots by 2016/17.

North West Perth has generally accommodated 30% of lot production in Outer Perth and South West Perth has accommodated around 26%. However, in 2016/17 North West's proportion, at 17%, was lower than the South West's proportion of 31%, the South East's share was 24% and was just shy of the Eastern region's share of 18%. Over the long term, the Eastern and the South East regions have accounted for 17% and 16% of Outer Perth's lot production respectively. Peel accommodated around 10% of lot production over the long term, and 9% in 2016/17.

MEDIAN PRICES

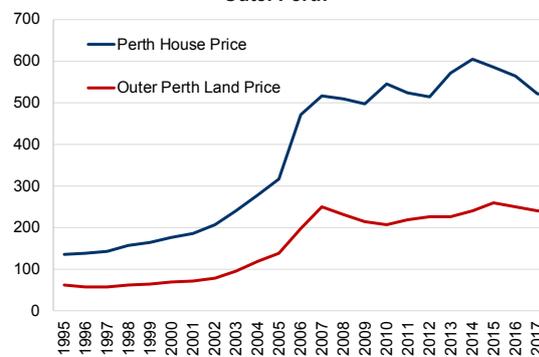
Outer Perth's median land price peaked in 2007 at \$250,000. The resultant constrained affordability, along with an overhang of unsold land caused land prices to steadily weaken through to 2011. The corresponding correction in lot production eventually saw excess completed lots absorbed and, as demand began to recover from 2011/12 onwards, upward pressure on land prices began to re-emerge. Outer Perth's median land price reached a new peak of \$259,000 in 2015, although the subsequent correction in the Perth residential market has resulted in Outer Perth's median land price falling back again to \$240,000 at June 2017.

Greater Perth Lot Production



Source: Planning WA, BIS Oxford Economics

Median land and median house price ('000s), Outer Perth



Source: PriceFinder, BIS Oxford Economics

Disclaimer: BIS Oxford Economics has taken great care to ensure accuracy and balance in this report and the service it represents, but does not warrant the completeness or infallibility of the information. The entire contents are intended as general market information only and BIS Oxford Economics implies no specific advice pertaining to the situation of any particular user and no warranty either expressed or implied is made as to the applicability of the information to the requirements or circumstances of any individual recipient. The opinions are contingent by nature and materially different actual outcomes may eventuate. BIS Oxford Economics Pty Ltd and its staff do not accept any liability for any loss or damage whatsoever arising out of the use or dissemination of all or any part (whether in printed, online, verbal or any other form) of this report or service, and intends by this statement to exclude any such liability.

BIS Oxford Economics produces similar broadhectare land analyses for the Melbourne, Sydney, Perth, Brisbane and Gold Coast & Sunshine Coast land markets. BIS Oxford Economics also produces detailed reports for the central city apartment markets in Sydney, Melbourne and Brisbane and one for Sydney's suburban apartment market. Further details of these reports are available on our website at www.bisoxfordeconomics.com.au.

As well as producing the range of reports listed above, we regularly undertake bespoke commissioned research projects for individual clients, assisting them with strategy, planning and business decision-making. Typical assignments in this service include:

- Forecast demand for products and services
- Market risk assessment
- Qualitative and quantitative research
- Financial feasibility assumptions
- Preparation of prospectus material
- Strategic planning assistance

For more information as to how BIS Oxford Economics can assist you with your residential property research needs, please contact Angie Zigomanis, Senior Manager Residential Property at azigomanis@bisoxfordeconomics.com.au or (03) 8679 7304

Melbourne Office:
BIS Oxford Economics Pty Ltd
 Level 40, Rialto South Tower
 525 Collins Street
 Melbourne VIC 3000
 AUSTRALIA
 F: (03) 9614 0033
 T: (03) 8679 7300
www.bisoxfordeconomics.com.au

Sydney Office:
BIS Oxford Economics Pty Ltd
 Level 8, 99 Walker Street
 North Sydney NSW 2060
 AUSTRALIA
 F: (02) 9959 5795
 T: (02) 8458 4200
www.bisoxfordeconomics.com.au