



UDIA

# Urban Development Index

Q3 2019

**1,466** ▲

lots sold, Perth Metropolitan Region

**+17.3%**

vs. last qtr.

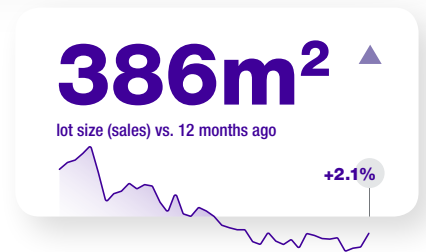
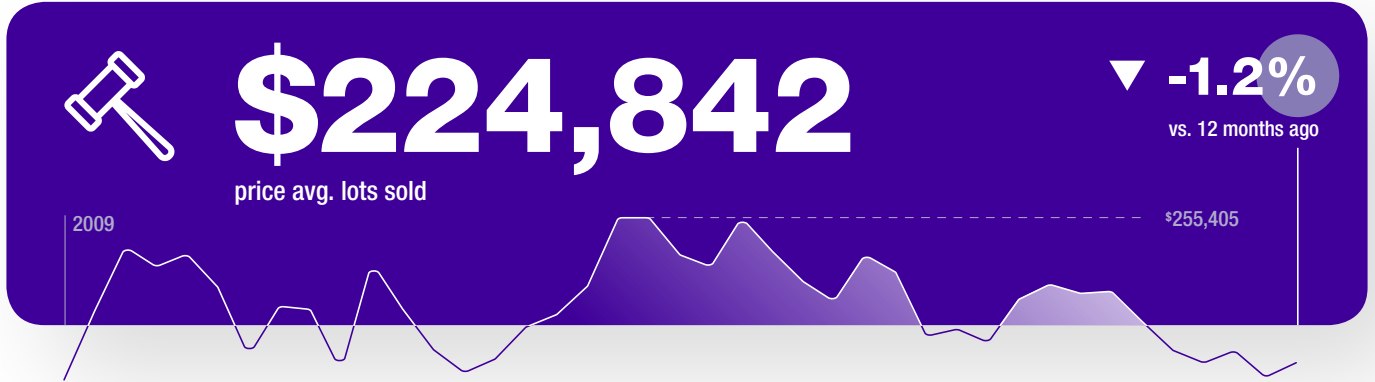
2,660



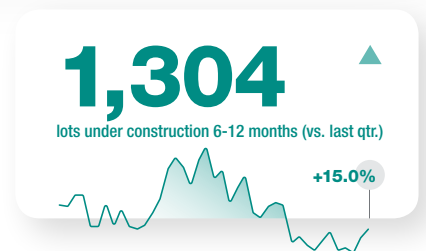
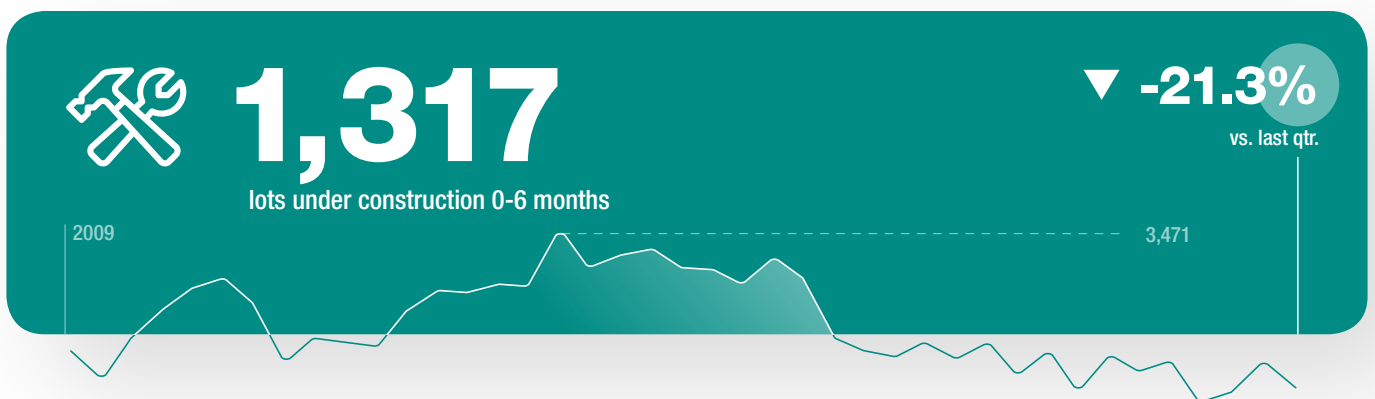
UDIA WA Principal Research Partners



# Demand



# Supply



# Executive Summary

Perth Metropolitan Region	Current qtr	Last qtr (QoQ)	% QoQ	Same qtr last year (YoY)	% YoY	5 year Rolling Av.
Lots sold (# of lots)	1,466	1,250	<b>17.3%</b>	1,186	<b>23.6%</b>	1,421
Lots sold (\$ millions)	\$329.6	\$277.8	<b>18.6%</b>	\$269.9	<b>22.1%</b>	\$337.3
Avg. size of lots sold (m <sup>2</sup> )	386	367	<b>5.3%</b>	378	<b>2.1%</b>	378
Avg. price of lots sold	\$224,842	\$222,265	<b>1.2%</b>	\$227,594	<b>-1.2%</b>	\$236,448
Avg. price of lots sold per m <sup>2</sup>	\$582	\$606	<b>-4.0%</b>	\$601.8	<b>-3.2%</b>	\$626
Lots on the market	2,534	2,805	<b>-9.7%</b>	2,881	<b>-12.0%</b>	2,553
Lots on the market (\$ millions)	\$569.3	\$640.0	<b>-11.0%</b>	677	<b>-15.9%</b>	\$618.5
Avg. price of lots on the market	\$224,681	\$228,157	<b>-1.5%</b>	\$234,891	<b>-4.3%</b>	\$243,459
Avg. size of lots on the market (m <sup>2</sup> )	377	389	<b>-3.0%</b>	\$372.2	<b>1.3%</b>	389
Lots NOT on the market	1,096	1,132	<b>-3.2%</b>	1,283	<b>-14.6%</b>	1,187
Lots under construction - release within 0-12 months	2,621	2,808	<b>-6.7%</b>	2,507	<b>4.5%</b>	3,318
Avg. size of lots under construction - release within 0-12 months (m <sup>2</sup> )	374	372	<b>0.4%</b>	367	<b>1.7%</b>	378

For more detailed UDI data including land market activity by local government area within the Perth metropolitan area and the regions, visit the UDIA dashboard on the Urbis Loop platform. UDIA members have complimentary access to the UDIA Urban Development Index information and require a log in. Contact [udia@udiawa.com.au](mailto:udia@udiawa.com.au) if you require access details.

## Quarterly Commentary

Tim Connoley - Director, Urbis

A second consecutive quarter of improvement has seen sales increase to a 2.5 year high. This is the first time that sales levels for the Perth metropolitan area have been higher than the five-year average since June 2017. These positive results make it hard not to feel the sense of positivity coming back in Perth's land development market.

However, the adage that two data points don't make a trend does give us reason to look a little closer.

In early 2018, sales increased to 14% above the lows of 2017, population growth was increasing and the Perth rental vacancy rate had declined from a high point of 7%. We had reason to be positive and were cautiously optimistic the market had hit the bottom.

Against this backdrop, the Royal Commission into banking misconduct, led to a new level of risk aversion from the mortgage sector. On top of a polarising federal election on housing taxation, the bottom of the market shifted and sales declined to a touch over 1,000 lots by March of 2019.

So is the latest uptick in sales déjà vu or a clear trend? We think it is somewhere closer to the latter, as we look to be past the bottom of this market cycle.

Access to finance will remain a challenge, as will the impact of six years of declines in capital values, but we are starting to see the benefits of a stronger rate of population growth in driving the market recovery.

The latest estimates from the Australian Bureau of Statistics show that net migration to Western Australia was at the highest level since early 2015 at 5,200 for the 2019 March quarter. This was largely driven by the strongest quarter of overseas migration we have seen in 6 years (6,300 persons) which offset a net loss interstate (1,100).

Population growth is on track to continue increasing throughout 2019/20. Temporary skilled visas granted were up 19% and the number of student visa applications were at record highs of 29,600 applications lodged in 2018/19.

Perth's established housing market is also showing optimistic signs with transactions up 20% since the start of the year.

However, a cycle driven largely by population growth is new to the Perth market. All of the market cycles in Perth over the last 30 years have been helped by population growth, but the key driver has been the cost of finance.

Interest rate cuts preceded the last eight residential property cycles and when the market moved, it moved quickly. This time around, interest rate cuts are positive but not the primary driver of the uptick in activity.

What this all means is that we are in for a longer and steadier improvement in the greenfield market. And this is something to be positive about.

Further commentary on next page →

# Perth Metropolitan Market Summary

Lot sales in Metropolitan Perth increased for the second consecutive quarter. Developers recorded a 17.3% increase in sales in the September quarter to 2.5-year highs.

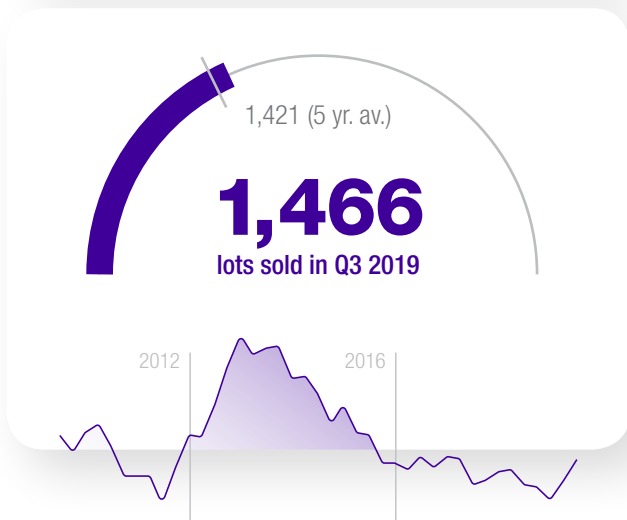
The north-east and south-east corridors drove the increased sales activity (up 54.5% and 42.9% respectively over the previous quarter). Stronger sales levels in these corridors has translated from declining stock levels into levels broadly similar to four years ago. Both corridors are home to significant infrastructure investment, both planned and underway; particularly road infrastructure in the form of NorthLink, Armadale Road, and the Tonkin Highway extension.

Sales and stock levels in the south-west corridor were broadly flat, though there were pockets of improvements outside of Baldivis; and the north-west corridor experienced declining sales but was up 18% on levels 12 months ago.

The market continues to be challenging from a pricing perspective. The average price per square metre declined 4.0% to \$582.

Stock levels across the metropolitan area remained high as of the end of September at 2,534 – equating to 5.2 months of stock at current sales rates compared to a norm of 3-4 months. The corridor with the most lots on the market continues to be the north-west corridor with 837 lots, however, this is down from 961 lots in June 2019. There is unlikely to be an uptick on pricing until stock levels normalise and capital values improve in the established market.

Fewer new estates were added to the market over the past 12 months compared to previous years, though there are some large estates planned for release in the coming 12 months. However, the uptick in sales is expected to help close out a number of estates that have less than 10% of lots remaining.



# Peel and Regional Areas

Fortunes were mixed in the regional and Peel region markets.

Sales were stable in Peel at decade lows of 52 sales in the September quarter, with nearly 12 months of stock on the market at current sales rates.

The South West experienced the second consecutive increase in sales to 51 lots, with sales up 89% from 2018 lows.

The South West is in the early stages of renewed economic growth. Key infrastructure projects such as the Busselton Margaret River Regional Airport, Transforming Bunbury's Waterfront, and US lithium giant Albemarle's \$1 billion Kemerton plant are helping drive renewed confidence.

The North West remains a challenging market, although renewed exploration activity is supporting a moderate lift in the Broome market.

# SHAPING CITIES AND COMMUNITIES FOR A BETTER FUTURE



Urbis has an **intimate knowledge of market trends** and opportunities in Perth's land development sector.

We bring together the brightest minds to help you **position your development for success** in a competitive market.

## URBIS LOOP

Did you know that Urbis offers an interactive dashboard to help you interpret the UDIA Urban Land Index data?

This handy tool lets you view powerful market insights in a flexible way. If you would like to learn more, contact UDIA and ask about Urbis Loop.

[URBIS.COM.AU](http://URBIS.COM.AU)



# Making strata better

Public consultation on the proposed strata titles regulations has closed. Visit [strata.wa.gov.au](http://strata.wa.gov.au) and subscribe for updates to stay informed.





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