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South West starts to emerge from downturn

It's early days, but confidence in property in the South West is turning and will continue to improve in 2013.

It is common for regional property markets to experience deeper troughs than the Perth metropolitan area as spending on holiday homes virtually ceases when the market turns down.

But local economic factors remain at the core of the long-term outlook for regional areas, including the South West region.

The economic strength of a region and subsequent demand for housing can most easily be measured by looking at population growth. And on this measure, the long-term outlook for the South West is reasonably strong.

The South West is expected to experience above average population growth over the next 15 years. Whilst Perth's population is forecast to grow at between 1.6 and 2.0 per cent per annum between 2011 and 2026, the South West's population is forecast to increase between 2.1 and 2.3 per cent, according to State Government's WA Tomorrow publication.

A lot of this population growth is expected to be in the City of Busselton, which had the fastest growing population of any non-Perth local authority in 2011/12, with growth of 4.2 per cent. Expansion planned for Busselton Airport to allow international flights and further accommodate FIFO workers is expected to be a major tourism and economic driver in the Busselton region.

As for current conditions in the South West property market, it's early days but turnover in the established market is up.



Figure 1 – Annual sales volumes, South West (source: UDIAWA, Landgate)*

Turnover in the established property market improved in every local authority in the South West in 2012. Busselton, Bunbury, Capel and Augusta-Margaret River all experienced turnover of houses increase more than 30 per cent over the year.

Local Authority	Detached House Sales (2012)	Change (YoY)	Median Price
Augusta-Margaret River	236	31.1%	\$430,000
Boyup Brook	16	60.0%	\$185,000
Bridgetown-Greenbushes	87	40.3%	\$338,000
Bunbury	524	36.1%	\$350,000
Busselton	651	40.3%	\$455,000
Capel	269	43.1%	\$400,000

Collie	107	3.9%	\$263,000
Dardanup	218	46.3%	\$370,000
Donnybrook-Balingup	77	75.0%	\$389,000
Harvey	377	15.6%	\$374,000
Manjimup	92	15.0%	\$242,500
Nannup	22	57.1%	\$290,000
Waroona	73	87.2%	\$320,000

The median house price has been relatively unchanged since 2010, but as confidence improves and it becomes easier to sell your home, we will see houses at the upper end of the market start to change hands more often.

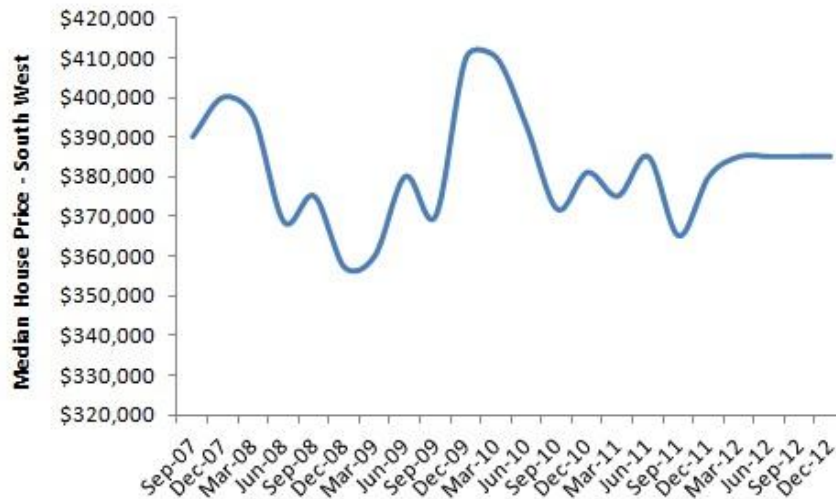


Figure 2 – Median price of detached house sales (source: UDIAWA, Landgate)

Consequently, with the established property market in the South West improving, demand for new land and housing has picked up in 2013. However, sales volumes are still well below pre-GFC highs.

The largest developers in the South West region recorded 35 per cent more sales in the March quarter compared three months earlier. The Shire of Harvey, City of Bunbury and the City of Busselton all experienced increased lot sales.

Strengthening land sales over the past nine months has resulted in inflated stock levels in the South West declining 46 per cent over the year. However, after several years of subdued sales activity in the South West, there is a lot of product on the market in the South West compared to Perth which has experienced stock levels decline significantly.

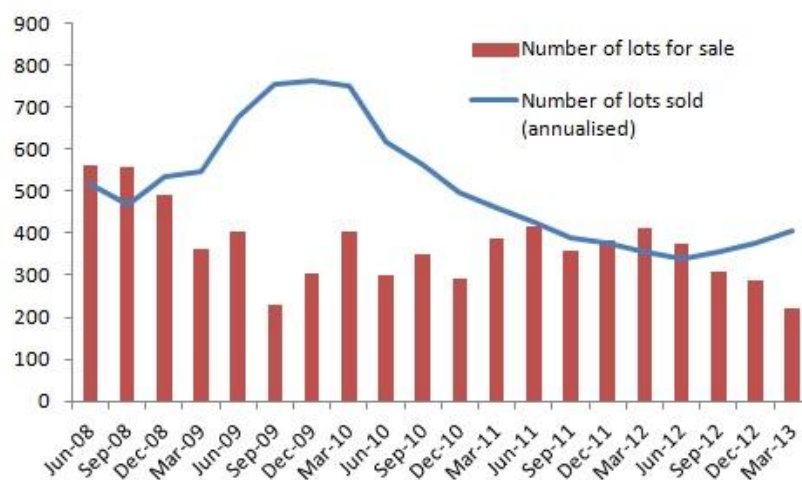


Figure 3 – Developer lot sales and stock available, South West (source: UDIAWA)

Residential construction levels declined substantially in 2011 after the effects of the Federal Government's temporary FHOG Boost wore off. Dwelling approvals in the South West improved marginally in 2012 but were still 34

per cent below the ten-year average. However, as land sales continue to increase, this will translate into more residential construction in 2013.

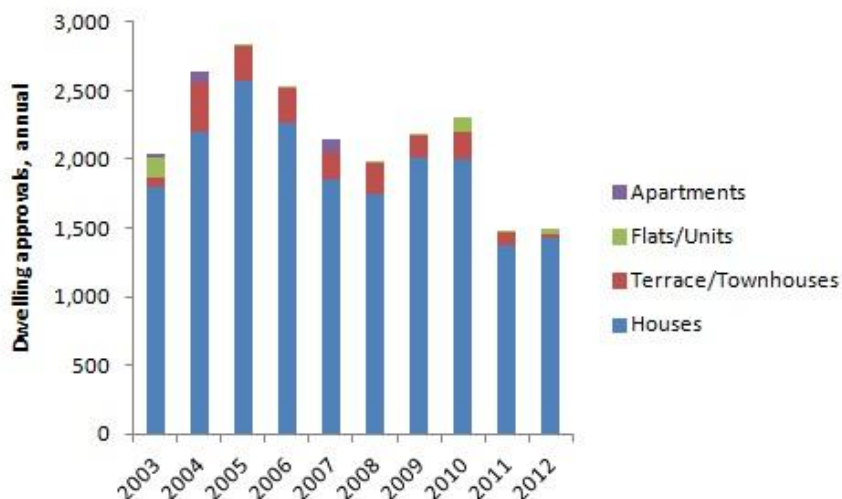


Figure 4 – Dwelling approvals, South West (source: UDIAWA, ABS)

Overall, new dwelling levels in the South West are far below historical levels and even further below the heady pre-GFC period. But the Institute’s research shows that the industry is optimistic the South West new dwelling market will continue to improve. More than four out of five urban development professionals in the South West expect residential development workloads to increase in 2013.

**Please note: March, 2013 quarter Landgate figures are preliminary as sales may not yet have reached settlement.*