

Housing Industry Forecasting Group

Forecast
Dwelling Commencements
in Western Australia



October 2013

Disclaimer

This document has been published by the Housing Industry and Forecasting Group.

Any representation, statement, opinion or advice expressed or implied in this publication is made in good faith and on the basis that the members or their representatives are not liable for any damage or loss whatsoever which may occur as a result of action taken or not taken, as the case may be, in respect of any information, statement, opinion or advice referred to here.

Professional advice should be obtained before applying the information contained in this document to particular circumstances.

Published October 2013

website: www.hifg.net.au

email: ian.hafekost@planning.wa.gov.au

Executive summary

The October report provides the group's forecast of dwelling commencements in Western Australia from 2013/14 to 2016/17. The forecast will be reviewed in April 2014.

HIFG Forecast of Dwelling Commencements in WA, 2013/14 to 2016/17		
Financial Year	Dwelling Commencements	% change
2012/13 (actual)	24,010	
2013/14 (forecast)	24,000	+0%
2014/15 (forecast)	22,500	-6%
2015/16 (forecast)	20,000 – 22,000	
2016/17 (forecast)	20,000 – 22,000	

The report's key points are as follows:

- WA's residential building sector rebounded strongly in 2012/13 with the commencement of 24,010 dwellings, up 34% on the previous year.
- While no overall lot shortage exists in Perth, HIFG's estimate of future dwelling commencements will require lot supply of around 18,000 lots per annum, some of which will be sourced from demolitions and vacant land listings.
- Seasonally adjusted dwelling approvals for WA in the three months to August 2013 at 7,081 were up 27% compared to the same period in 2012 (5,564).
- Annual growth for new owner occupier and identifiable investor loans for the construction of new dwellings is easing, after peaking earlier this year at a rate lower than might have been expected in the face of low and falling interest rates and strong population growth.
- First Home Owner Grant (FHOG) applications increased by 33% to 21,395 in the year to 2012/13, with applications for new dwellings increasing from 26% of all applications to 31% in 2012/13. The share of grants for new homes can be expected to increase with the change in grant for new build from \$7,000 to \$10,000 from 25 September 2013.
- REIWA is reporting strong first home buyer activity at the more affordable end of Perth's established housing market. This has resulted in Perth's median house price falling from \$525,000 in the June quarter to \$505,000, a fall of 3.8% but still up 5% on a year ago.
- Perth's median rent growth has moderated and fell 1.1% in the September quarter 2013 to \$470 per week for an annual growth rate of 4.4%. This reflects a rapid cooling in rental demand, resulting in a near doubling of the vacancy rate over the year to 3.1% in the September quarter 2013.
- At the end of June 2013, estimated underlying demand based solely on demographic factors suggested a shortfall of 28,000 dwellings in Western Australia, with a deficit of 32,500 dwellings in Perth offset by a small surplus of 5,500 in the rest of the State.
- Despite falling interest rates and improvements in various housing affordability indexes, housing affordability remains an issue for Western Australian households on low or moderate incomes.
- In the June quarter 2013, a Perth household on the estimated median income of \$83,600, with a 10% deposit and with a loan repayment equal to 30% of their income would have been able to afford a property valued at \$376,000, well below even the lower quartile house price of \$412,500.
- A household in Perth needs an income of \$1,570 per week (\$81,640 pa) to be able to afford the median rent of \$470 per week. A single person with an income just above the income limit for public housing of \$430 per week would have been able to access less than one per cent of all new lettings in the September quarter 2013.

Table of contents

Executive summary	1
Table of contents	2
Table of figures	3
1 Introduction	4
2 Housing industry drivers	4
2.1 Economic overview	4
2.2 Finance sector	5
2.3 Population growth	5
3 Residential land market activity and trends	7
3.1 Residential land sales	7
3.2 Land on the market	8
3.3 Land development trends	8
3.4 Residential demolitions and resales	10
4 Building industry activity and trends	11
4.1 Building approvals	11
4.2 Dwelling commencements, completions and work in progress	12
4.2.1 Dwelling commencements	12
4.2.2 Completions	13
4.2.3 Residential construction work in the pipeline	14
4.2.4 Housing finance	15
5 Housing market trends	17
5.1 Introduction	17
5.2 New homes market	17
5.3 Established dwelling market	18
5.4 First home buyers' market	19
5.5 Private rental market	20
5.6 Public sector	21
6 Housing affordability in WA	22
6.1 Home ownership	22
6.2 Private rental	23
7 Housing industry resources and challenges	23
7.1 Construction costs, building materials and labour supply	23
7.2 Industry issues and short-term challenges	24
8 Underlying demand for housing	24
8.1 Underlying housing requirements	24
8.2 State of supply	25
9 Forecast of dwelling commencements and land supply	27
9.1 HIFG's Forecast of Dwelling Commencements	27
9.2 Assessment of serviced residential land supply	27
Appendix A – Regional Land and Housing Activity	29
A1 Introduction	29
A2 Regional Western Australia – Activity 2012-13	29
A3 Annual regional trends, 2001/02 to 2011/12	29
Appendix B – Estimation of the land pipeline	35
Appendix C – Housing Industry Forecasting Group	36

Table of figures

Figure 1: Rolling totals of components of WA Population Growth, March 2001 - March 2013	6
Figure 2 Land listings in Perth and Mandurah, March 2008 - September 2013.....	8
Figure 3 Quarterly final lot approvals by region, Sept 2003 - June 2013.....	9
Figure 4 Residential demolitions for Perth, Peel and Bunbury, 2001/02-2012/13.....	10
Figure 5 Building approvals in WA, July 2000- August 2013.....	12
Figure 6 WA seasonally adjusted dwelling commencements, Jun 2000-Jun 2013.....	12
Figure 7 Total dwelling commencements in WA, Jun 2000-Jun 2013.....	13
Figure 8 Moving annual totals of commencements and completions and dwellings under construction at end of quarter, Jun 1985-Jun 2013.....	14
Figure 9: WA unit dwellings as percentage of total dwellings under construction, 1969-2013	14
Figure 10: Number of dwellings approved but not started in WA, June 2003 - June 2013 ...	15
Figure 11: WA home loan commitments for new dwellings (s. adj.), July 2000 - Aug 2013..	16
Figure 12 Annual rolling total value of finance commitments for housing investment in WA, Jun 2000-Aug 2013	17
Figure 13: Seasonally adjusted private house sales and approvals in WA, July 2006-Aug 2013	17
Figure 14 Quarterly indexes of house prices, Mar 2002-Jun 2013.....	18
Figure 15 Quarterly FHOG applications and grants paid in WA for new dwellings, September 2000 – September 2013.....	19
Figure 16 Quarterly FHOG grants as proportion of commencements and sales, Sept 2000-June 2013	20
Figure 17: Perth quarterly median rents and vacancy rates, 2003-2013	20
Figure 18: First homebuyer average loan and median property value in WA, July 2000-Aug 2013	23
Figure 19: Net dwelling starts and cumulative surplus/shortfall in WA, Perth and ROS.....	26
Figure 20: Perth region, 2001/02 to 2012/13	30
Figure 21: Peel region, 2001/02 to 2012/13.....	30
Figure 22: South West region, 2001/02 to 2012/13.....	31
Figure 23: Great Southern region 2001/02 to 2012/13.....	31
Figure 24: Goldfields-Esperance region 2001-02 to 2012/13.....	32
Figure 25: Wheatbelt region, 2001/02 to 2012/13	32
Figure 26: Mid West region, 2001/02 to 2012/13	33
Figure 27: Gascoyne region, 2001/02 to 2012/13	33
Figure 28: Pilbara region, 2001/02 to 2012/13.....	34
Figure 29: Kimberley region, 2001/02 to 2012/13	34

1 Introduction

The Group provide a forecast of dwelling commencements and residential-lot availability for Western Australia, covering the period 2013-14 to 2016-17. This will assist government and industry in their planning but it must be recognised that in using a four-year timeframe the forecast becomes less certain, hence our use of ranges for the outer years beyond 2013/14.

Following the subdued state of WA's residential construction market in 2011/12, 2012/13 saw the sector return to a strong growth partly because of increased demand stimulated by stronger population growth, which led to tightening of housing supply in Perth, the rapid rise in rents to June 2013 and home loan rates at historically low levels. While we predict commencements in 2013/14 to be at the same level as last year, we anticipate a small fall in 2014/15 of 6% to 22,500 starts. Dwelling commencements in the outer years of our forecast period are predicted to be in the range of 20,000 to 22,000.

2 Housing industry drivers

2.1 Economic overview

Western Australia's State Final Demand (SFD) grew by 1.3% in the June quarter, as investment in the state's resources sector recovered and consumer spending grew after a surprising fall in March. Compared to a year earlier, WA's SFD was 1% lower in the June quarter, its second consecutive annual fall. However, SFD for the 2012-13 financial year was 4.9% higher than for the previous financial year.

Following declines in business investment in the March and December quarters, investment recovered slightly in June. However, it appears that investment in the resources sector has now "peaked", with investment levels set to decline over the coming years as major resource projects transition from the construction phase to the production phase. Despite these expected falls, investment is still expected to remain at a high level in the coming years, with investment in the state the fifth-highest quarterly level on record in June, with WA firms spending some \$17.6 billion in the quarter. As investment softens, growth in exports is expected to drive economic growth forward.

The *Westpac-CCI Leading Index* continues to point to solid levels of activity in Western Australia, having increased for three consecutive months. However, the key downside risk to the state's economic outlook is reduced confidence, with the September edition of the *Westpac-CCI Survey of Business Expectations* indicating business confidence fell to a post-GFC low on the back of tough operating conditions. Some 60% of businesses expect the local economy to deteriorate over the coming 12 months, up from 53% in June. Significantly, indicators of future expansion plans fell to their lowest levels in five years. If this were to be sustained for a period of time, conditions in the state's economy could soften.

Consumer confidence has also declined, with the September edition of the *Curtin Business School-CCI Survey of Consumer Confidence* revealing that one third of households predict the state's economy will weaken over the coming three months, while 39% expect

deterioration in the coming 12 months. In both cases, this is a record high¹. As a result, consumers remain cautious on the property market despite falling interest rates, with just one third of respondents rating now as a good time to purchase property (unchanged for the past 12 months).

The state's labour market has also softened recently, with the unemployment rate averaging 4.75% in the first half of 2013. This is up from a recent low of 3.6% in June 2012, and reflects continued strong population growth interacting with a slowdown in the rate of job creation. In annual terms, employment growth has slowed to one per cent throughout 2013, after averaging in excess of 4.5% throughout 2012.

2.2 Finance sector

The RBA maintains a mild bias to ease monetary policy a fraction more, but only if the Australian dollar does not resume its earlier slide or if one or more key external risks crystallises. The RBA does not think the full effects of earlier reductions in interest rates have worked through the economy, and are mindful that the national established housing market has derived a greater share of the benefits of low interest rates than the dwelling construction sector.

Although quarterly headline inflation rose sharply in the September quarter, underlying price inflation remains in the lower half of the RBA's 2-3% medium-term target range so inflation does not stand in the way of at least one more cash rate cut. Nevertheless, the RBA would prefer that a lower Australia dollar would obviate the need for lower interest rates.

Access to finance for smaller residential land developers and smaller developers delivering infill housing remains an issue as lenders maintain tight lending criteria in the post-GFC era.

2.3 Population growth

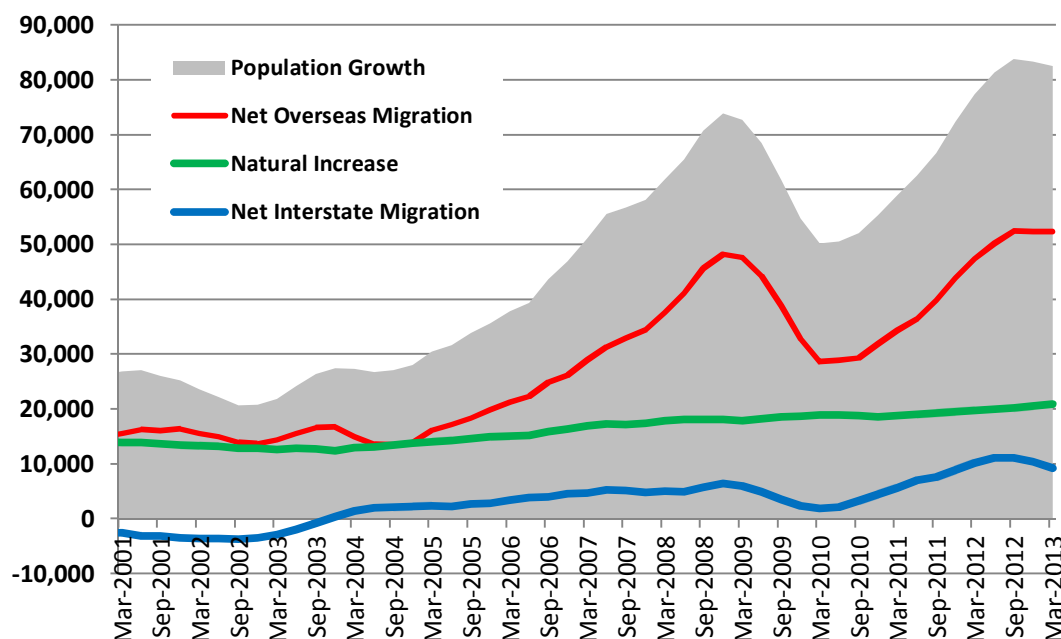
The latest demographic data for the March quarter of 2013 showed the following:

- WA's population continued to grow at a faster rate than for Australia, with a 3.4% increase (82,600) in the year to March quarter 2013 compared to 1.8% for Australia.
- Net overseas migration in the year to March 2013 was 52,300, 10% higher than for the year to March 2012 (47,500). However, the moving annual total levelled out in the March quarter of this year (see Figure 1 below).
- Net interstate migration in the year to March 2013 at 9,300 was down 8% on the year to March 2012 (10,200) and the rolling annual figure has been falling since the September quarter 2012.

¹ The survey commenced in June 2009 so does not include the GFC period (2007 & 2008).

Figure 1: Rolling totals of components of WA Population Growth, March 2001 - March 2013

Source: ABS Cat No. 3101.0 Table 2



Recent projections² of net overseas migration suggest that nationally the annual numbers are forecast to rise from 237,300 in the year ending June 2013 to 250,200 by the year ending June 2017. This represents an increase of 5.4% over the next four years and is largely thought to be the result of an increase in overseas students coming to Australia, the majority of who do not come to Western Australia. Following the peak in business investment, HIFG expects that Western Australia's share of overseas migration will return toward the long-run average of around 14%, following a peak of 24.7% in the June quarter of 2012.

Estimated regional residential population figures for the 10 years to 30 June 2012 showed Perth's population grew by 27.9% to 1,808,730, increasing its share of the State's population from 73.3% to 74.4%. Outside Perth, the fastest growing regions were the Pilbara and Peel with growths of 55.1% and 49.3% respectively over the 10 years. The Pilbara increased its share of the State population from 2.1% to 2.6% over the decade, growing from an estimated population of 41,235 in June 2002 to 63,950 as at 30 June 2012.³ Peel increased its share from 3.4% to 4.0% over the period (65,726 to 98,126).

² *The Outlook for Net Overseas Migration, June 2013*, Department of Immigration and Citizenship

³ *Regional Population Growth, Australia* ABS Cat No. 3218.0

As a basis for calculating its short-term dwelling demand, HIFG has estimated population growth in Western Australia by applying the annual average growth rates (AAG), in line with the 2013-14 State Government Budget forecast, to an estimate* of the average 2012/13 Estimated Resident Population (ERP) of 2,487,200.

	AAG	Net Increase	Projected ERP
2012/13	3.5%	83,870	2,487,200
2013/14	2.2%	76,000	2,563,200
2014/15	2.1%	53,800	2,616,900
2015/16	2.1%	54,900	2,671,900
2016/17	2.1%	56,200	2,728,100

* Estimate is based on latest population data which was not available for the 2013/14 Budget forecast

3 Residential land market activity and trends

3.1 Residential land sales

Urban Development Institute of Australia's (UDIA WA) June 2013 Urban Development Index⁴, the Institute's survey of the 30 largest residential land developers in Western Australia, showed that:

- Although residential land developers sold 6.3% fewer lots in Greater Perth⁵ during the June quarter, developers recorded strong turnover in 2012/13, with 49% more sales compared to 2011/12 and sales volumes 44% above the ten-year average;
- Sales volumes were mixed across Greater Perth in the June quarter, with the level of stock a deciding factor behind the direction of sales volumes;
- Whilst sales in the South West improved in 2012, there have been few signs of sustained upward momentum, with lot sales 15% below the five-year average; and
- Strong demand and short supply is flowing through to higher land prices in Greater Perth, with the average price of lots sold increasing 6.2% over the June quarter to \$238,400 in Greater Perth.

The Real Estate Institute of WA (REIWA) estimates that residential land sales for WA in 2012/13 were up around 45% to 19,600. Estimated land sales for Perth rose 53% to 15,350 in 2012/13 whilst regional land sales were up 27% in the year to 4,300 lots.

In the June quarter 2013, the preliminary median land price in Perth at the time of writing was \$245,000 and likely to moderate further with outstanding settlements. The June quarter median was 5.6% higher on the revised figure of \$232,000 for the previous quarter and up 4.4% on the year. In regional WA, the median land price at \$165,000 was unchanged from a year ago.

⁴ *Urban Development Index: Residential Land Activity June 2013*, UDIA(WA)

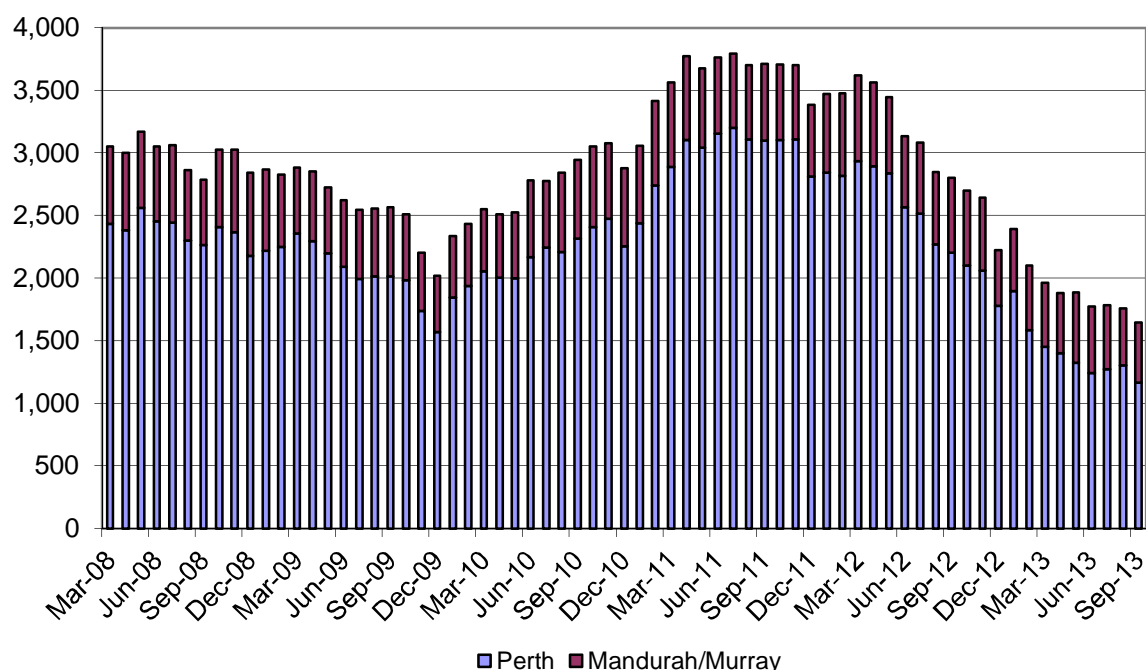
⁵ Greater Perth, under the new Australian Statistical Geography Standard, includes Mandurah Statistical Area 4 (SA4).

3.2 Land on the market

The following chart (Figure 2) shows land listings by REIWA members in the Perth region on a falling trend since March 2012. Listings for September 2013 at 1,166 were down 6.2% on June and down 70.3% on March 2012. Land listings in the Peel region declined in the year to September 2013 by 19.4% to 483. REIWA's land listings in Greater Bunbury are trending down from a peak of 217 in April to 153 in September 2013. The number of lots for sale in Geraldton/Greenough has been relatively stable in 2013 at around the 324 lots available as at September 2013.

Figure 2 Land listings in Perth and Mandurah, March 2008 - September 2013

Source: Unpublished data, Real Estate Institute of WA



The UDIA (WA) survey shows that the number of new vacant lots developers had on the market in Greater Perth has declined for seven consecutive quarters. The level of stock on the market fell 24.7% over the three months to June 30, 2013 to 1,125 lots. Improved turnover over the last 12 months led to a significant absorption of stock on the market, with stock levels over 2012/13 declining 45% to their lowest levels since 2006. Stock levels were, however, still more than double record lows experienced seven years ago.

3.3 Land development trends

Last year, the WA Planning Commission⁶ reported that if “*all of the land zoned in the Metropolitan Regional Scheme and Peel Regional Scheme were available when required and the average rate of land consumption were maintained it would take 26.7 years to fully deplete stocks.*”. However, at higher density development rates, such as those proposed under *Directions 2031 and Beyond*, it was estimated the horizon could be pushed out to 51.4 years.

⁶ *Urban Growth Monitor*, December 2012, WAPC

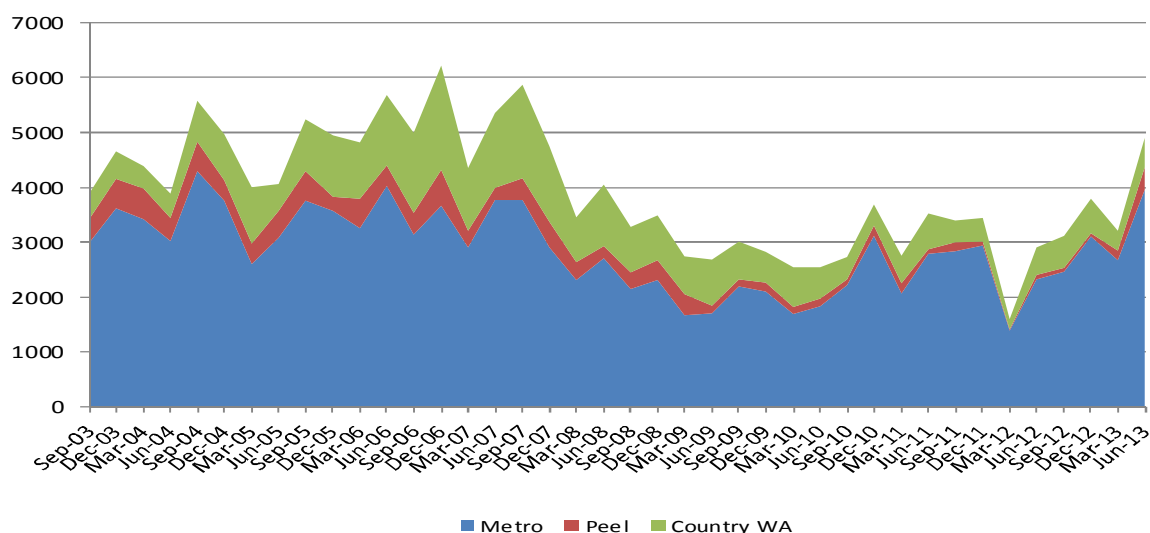
While there is clearly sufficient land zoned for urban development, there remains the critical issue of how quickly that land can be constructed, serviced and brought to market as lots. In the June quarter 2013, developers lodged 1,089 applications to create 13,400 residential lots across the state, representing significant increases over the previous quarter of 83% and 95% respectively⁷.

Conditional residential lot approval was given to 6,491 lots in the June quarter of 2013; a 9% increase from the previous quarter but down 3% over the year. Final residential lot approval was given to 4,905 lots; up 69% on the June quarter 2012. At the end of June 2013, the number of proposed residential lots with current conditional approval totalled 72,472 lots across the state; down 2% on the previous quarter but virtually unchanged from June quarter 2012. Perth accounted for 65% of the State total and with 46,790 lots was up 3% on the figure for the June quarter 2012 (44,280 lots).

Figure 2 shows final lot approvals for the Metropolitan area, Peel region and rest of the State since the September quarter 2003⁸. After reaching a peak in September 2004 and June 2006, the number of lots with final approval for the Metropolitan area declined to a low of 1,663 in the March quarter 2009 but increased to 3,959 by the June quarter of this year. This was influenced by an increase in subdivision application fees introduced on 1st July 2013.

Figure 3 Quarterly final lot approvals by region, Sept 2003 - June 2013

Source: *State Lot Activity*, June Quarter 2013, WAPC



Data provided by the Water Corporation to the Department of Planning indicates that as at June 2013 there were 12,100 residential lots where the developer had a servicing agreement with the Water Corporation. These lots can be considered as active and close to being available over the next 12-18 months. Of the total, 9,700 (80%) were located in the Metropolitan/Peel area and 2,400 in the rest of WA, representing increases of 8% and 26% respectively in the year to June 2013. Active lots accounted for approximately 18% of the

⁷ *State Lot Activity*, June Quarter 2013, WAPC

⁸ Final approval is granted by the Western Australian Planning Commission when the developer has satisfied all approval conditions, including the construction of roads and provision of utility services to the new lots. Final approval permits the issue of new titles by Landgate.

developers stock of current conditional approvals in the Metro/Peel Region and about 12% of current stock in regional Western Australia. This equates to approximately 17% across the entire State.⁹

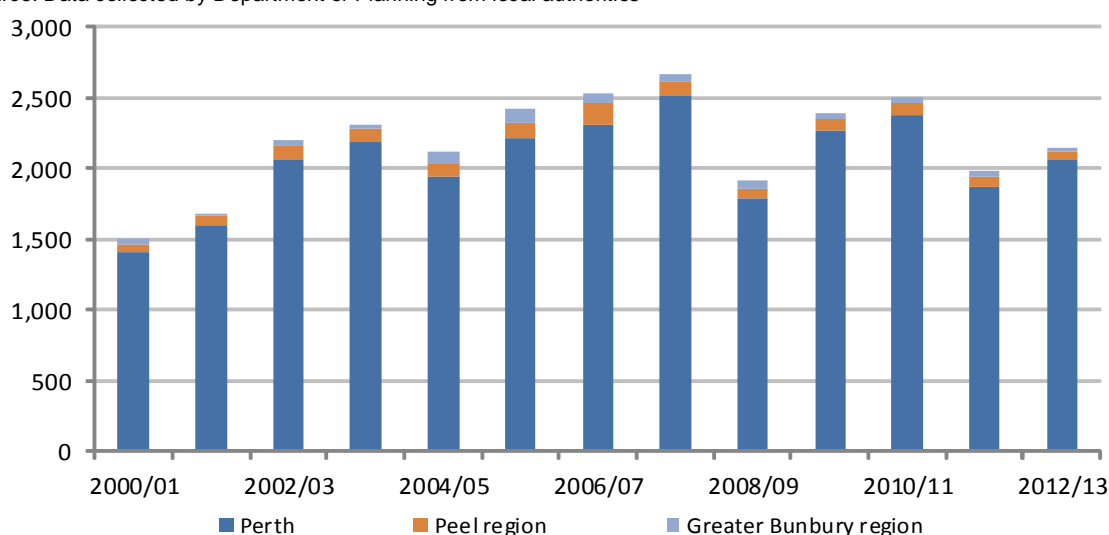
The UDIA (WA) survey showed that developers are confident sales volumes in Greater Perth will remain strong in the near term, with 63 developments committed to bring land to the market by June, 2014. The number of lots committed to be available for sale over the next 12 months increased 4.7% on March levels and 54% compared to June 2012.

3.4 Residential demolitions and resales

The Department of Planning collects data on dwelling demolitions from the 37 local government authorities in the Metropolitan, Peel and Greater Bunbury regions. After reaching a peak of 2,670 demolitions in 2007/08, numbers have fallen and were down to 1,915 in 2008/09. There were 2,191 dwelling demolitions in 2012/13, up 10.5% on 2011/12.

Figure 4 Residential demolitions for Perth, Peel and Bunbury, 2001/02-2012/13

Source: Data collected by Department of Planning from local authorities



Resales back into the market also provide an important part of the land supply balance sheet and vary over the cycle depending upon the motivations of the original buyer. There was significant speculative re-selling activity of around 22-23% in 2006-07 and 2007-08 as the previous cycle cooled. Reselling has returned to more 'normal' pre-boom levels of 10-12% of sales. The growth of some 10,000 vacant lots between 2004 and 2008 as reported in the WAPC's Urban Growth Monitor and also reflected in the growth of Water Corporation vacant service connections of some 8,000 lots over the same period has been exhausted with stock returning to 2004 levels.

HIFG members expressed the need for greater acknowledgment in the community that the traditional model of having serviced and titled lots readily available to meet immediate inquiry and demand has shifted over time to a more 'just in time' model where pre-selling has become a feature of today's market. This is particularly the case where there is a strong upturn in demand.

⁹ See: *Land Supply & Housing Activity Western Australia*, June Quarter 2013, WAPC

4 Building industry activity and trends

4.1 Building approvals

Building approvals in WA increased strongly from 19,253 in the year to June 2012 to 24,350 for the year to June 2013, an increase of 26%. The latest data for August 2013 showed the seasonally adjusted number of total dwelling approvals for WA in the three months to August 2013 at 7,081 was up 27% compared to the same period in 2012 (5,564). As shown in Figure 5, the trend estimate of approvals for total dwellings is on a strong upward path.

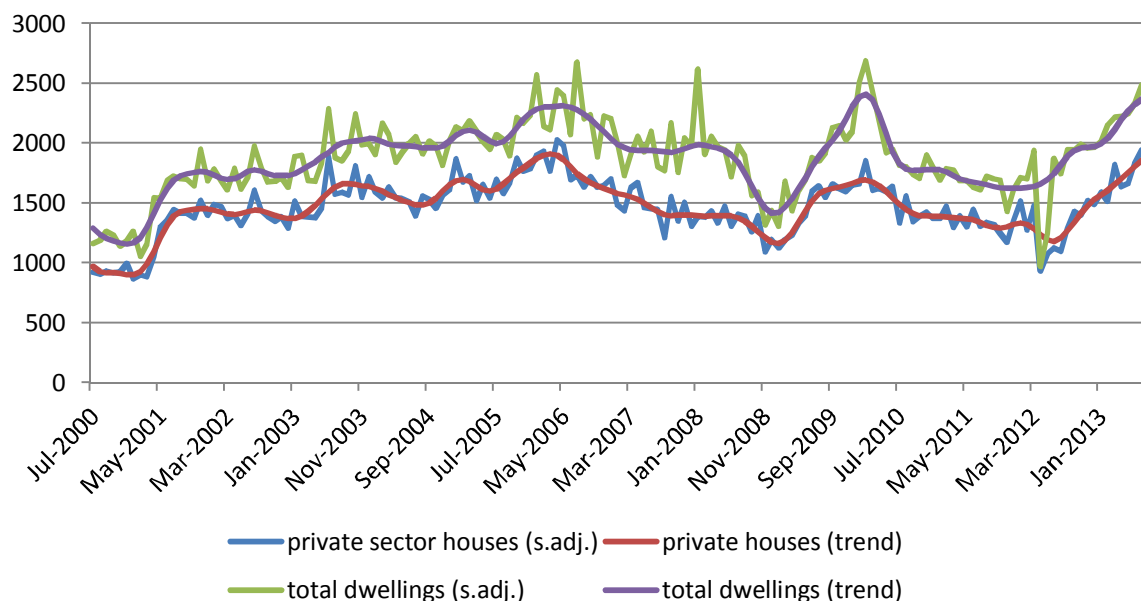
In 2012/13, Western Australia witnessed a very strong growth in multi-residential approvals, rising 58% to 5,389 units. This resulted in an increase in their share of total approvals to 22%, compared with 19% in 2011/12 and the long-term average of 20% since 1991/92. Perth accounted for 74% of total approvals (13,759 houses and 4,270 other dwellings), with multi-residential units representing 24% of total approvals in Perth compared with 19% in the previous year and a long-term average of 21% since 1991/92.

Drilling down further into the approvals data, there were 1,507 dwellings in flats of four or more stories in the year to August 2013 in WA, representing just 5.9% of total building approvals. This compared to figures of 34.2% in NSW, 21.0% in Victoria and 12.3% in Queensland. Detached houses still remain the most common building approval in WA compared to the major Eastern States.

Appendix A presents regional analysis of annual land and housing activity based on lots created and cleared by the WAPC and dwelling approvals from the ABS. Closer inspection of the data highlights how this current upturn in activity is notably different to the last cyclical upswing in the post GST introduction period through to 2007. This earlier period, if we ignore the brief FHOG Boost upturn in 2009, saw a high level of speculative investment activity in the Perth market well ahead of the population surge from mid-2006. In addition, there was significant discretionary investment in holiday homes in the Peel, South West and Great Southern. By comparison, the current upturn is being driven by demand fundamentals with Perth experiencing approvals similar to the mid 2000's, limited increases in the South West but large surges to record levels in both the Pilbara and Kimberley. To what extent all the North West approvals, which include a high proportion of multi-residential dwellings, translate into dwelling commencements remains to be seen over the next few years.

Figure 5 Building approvals in WA, July 2000- August 2013

Source: ABS Cat. No. 8731.0 Table 5



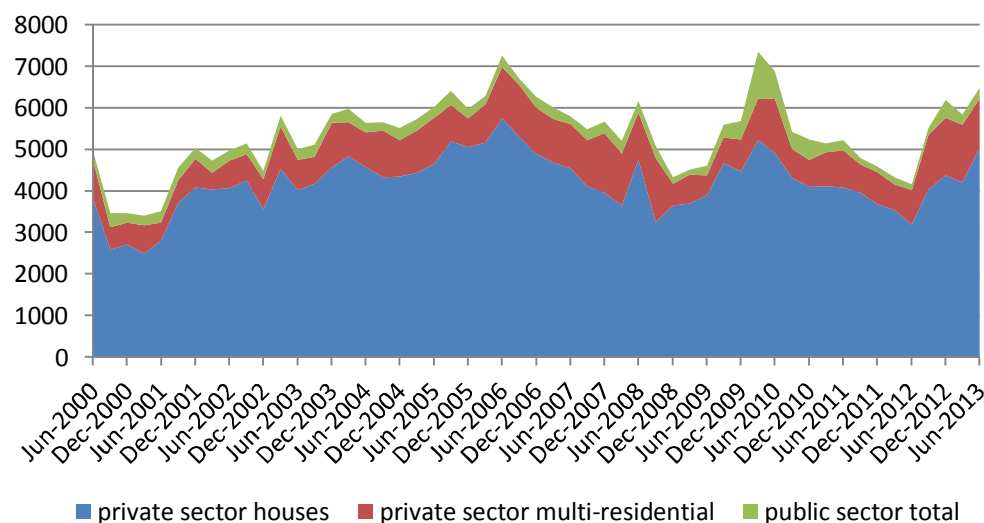
4.2 Dwelling commencements, completions and work in progress

4.2.1 Dwelling commencements

Dwelling commencements¹⁰ in 2012/13 at 24,010 were up 34% compared to 17,919 commencements in the previous year. The number of houses increased by 3,773 (26%) to 18,497, while commencements of other dwellings increased by 2,318 (73%) to 5,513. Total public sector dwelling starts jumped 96% in 2012/13 from 582 to 1,138.

Figure 6 WA seasonally adjusted dwelling commencements, Jun 2000-Jun 2013

Source: ABS Cat No 8752.0 Table 34



¹⁰ including conversions

Figure 7 Total dwelling commencements in WA, Jun 2000-Jun 2013

Source: ABS Cat No 8752.0 Table 34

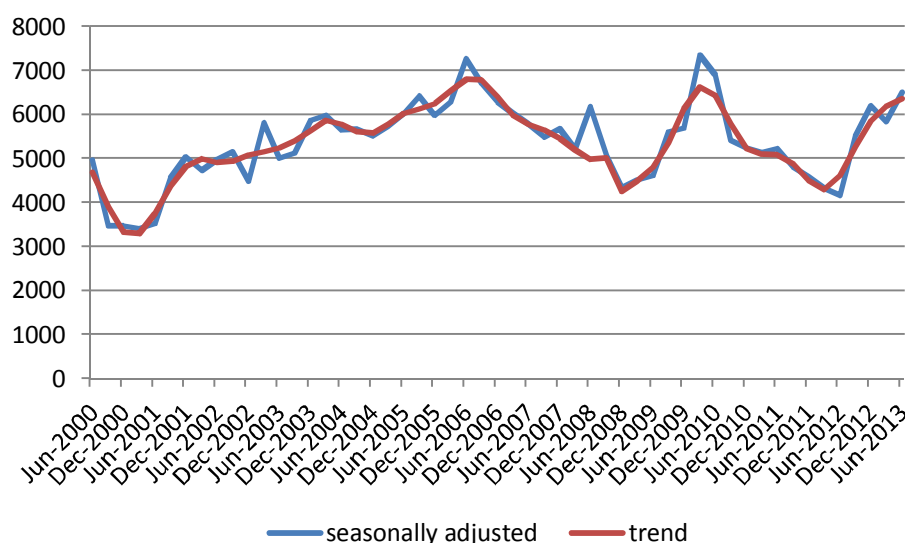


Figure 7 above shows quarterly data for total commencements, the trend for which has been rising for the last five quarters.

Table 1 shows the distribution of dwelling commencements between Greater Perth and regional WA for the last two years¹¹. There was a small change in the proportion of dwelling commencements started in Greater Perth, falling from 79.0% of total WA starts in 2011/12 down to 77.6% in 2012/13. The table also indicates that dwellings other than houses as a proportion of total dwellings in WA, compared to houses, rose from 17.8% in 2011/12 to 23.0% in 2012/13. The equivalent percentages increased from 18.2% of all commencements in Greater Perth to 24.4%.

Table 1: Distribution of dwelling commencements in WA, 2011/12 and 2012/13

	Greater Perth			Regional WA			WA		
	Houses	Other	Total	Houses	Other	Total	Houses	Other	Total
2011/12	11,576	2,583	14,159	3,147	612	3,759	14,724	3,194	17,918
		(18.2%)	(79.0%)		(16.3%)	(21.0%)		(17.8%)	
2012/13	14,097	4,542	18,639	4,399	973	5,372	18,496	5,515	24,011
		(24.4%) ¹	(77.6%) ²		(18.1%) ¹	(22.4%) ²		(23.0%) ¹	

Notes: 1. Other dwellings as % of total in region.

2. Total dwellings as % of total WA dwellings.

3. Source: Based on ABS data

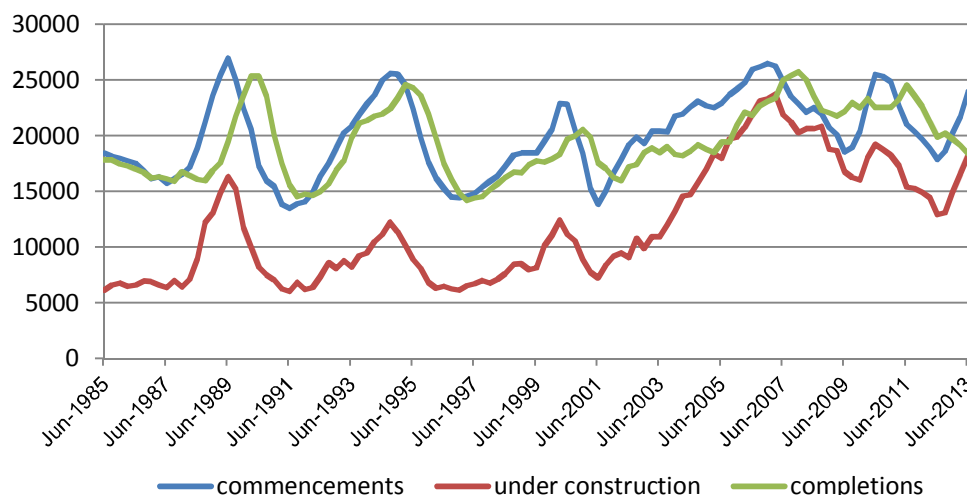
4.2.2 Completions

The level of completions at 18,421 dwellings at the end of June 2013 was down 7% from the total of 19,915 for the previous year. The annualised level of completions should start to turn round with the sharp upturn in dwelling commencements and dwellings under construction since June quarter 2012.

¹¹ Greater Perth includes Mandurah SA4 (see footnote 5 above). There has also been a major revision by ABS of dwelling commencement figures back to 2001/02 (see Cat No 8752.0, March quarter 2013).

Figure 8 Moving annual totals of commencements and completions and dwellings under construction at end of quarter, Jun 1985-Jun 2013

Source: ABS Cat No 8752 Tables 34, 38 & 77



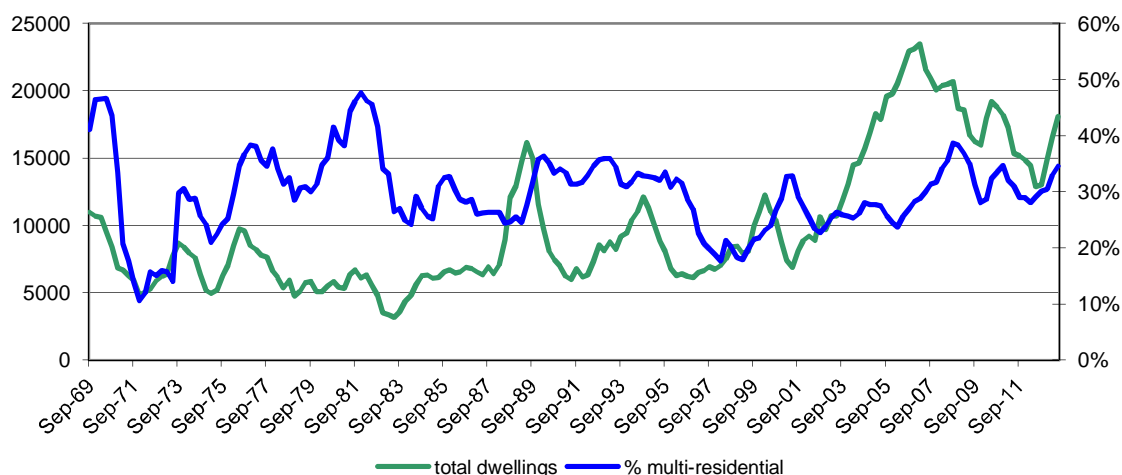
4.2.3 Residential construction work in the pipeline

After an all-time high of 23,478 in the March quarter 2007, the backlog of work reflected by the number of dwellings and conversions under construction in the June quarter 2013 totalled 18,117. This was 41% higher than the 12,888 dwellings under construction at the end of the June quarter 2012¹². As figure 8 above indicates, the volume of work under construction has now picked up from its most recent low in June 2012.

The following chart (Figure 9) shows the total dwellings under construction and the percentage of units since data were collected starting in 1969. After two peaks of close to 50% in the early 1970s and 1980s, the percentage of units in total dwellings under construction has fluctuated around 30%. The multi-residential component is generally higher than the overall level of approvals and commencements due to the construction time for this sort of activity. The percentage rose strongly in 2008 to reach 39% in the September quarter of 2008 and after easing back has reached 35% in the June quarter 2013.

Figure 9: WA unit dwellings as percentage of total dwellings under construction, 1969-2013

Source: ABS Cat No 8752.0 Table 77

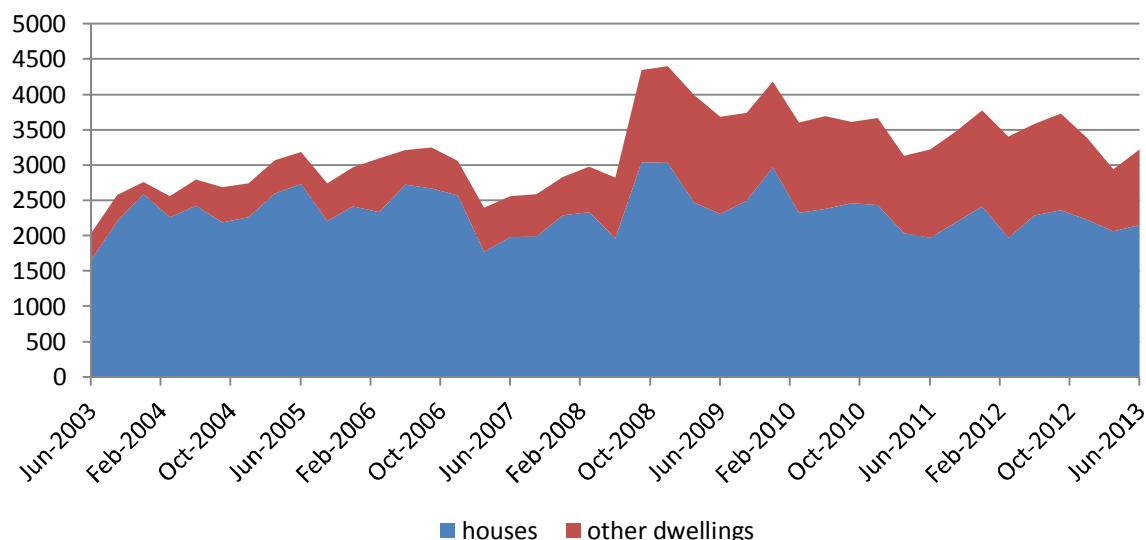


¹² ABS Cat 8752.0 Table 77

As at the June quarter 2013, there were 3,237 building approvals not yet started, down 10% on a year ago and falling to its lowest level in March 2013 and similar to the last cyclical peak in mid-2006. This suggests approvals are getting to site in a timely manner despite concerns around the availability of titled lots. The stock of dwelling approvals yet to start remained at a much higher level than prior to June 2008 which is driven very much by a higher level of other 'multi-residential' dwellings. The percentage of other dwellings as a proportion of total dwellings has been at a high level since June 2008 and in June 2013 was 33%.

Figure 10: Number of dwellings approved but not started in WA, June 2003 - June 2013

Source: ABS Cat No 8752.0 Table 80



As at the June quarter 2013, the value of work in the residential construction pipeline totalled \$4.142 billion¹³, 16% higher than 12 months previously. Out of this total, \$1.033 billion represented the value of work approved but not yet started, down 10% on 12 months previously but the value of work still remaining to be completed was up 29% on the year at \$3.109 billion.

4.2.4 Housing finance

Annual growth for new owner occupier and identifiable investor loans for the construction of new dwellings is easing after peaking at a rate lower than might have been expected in the face of low and falling interest rates and strong population growth. The modest peak is consistent with ongoing household caution across a range of key economic variables.

Growth in total loan commitments (including established dwellings) for first home buyers increased by 16.2% to 5,390 in the three months to August 2013 compared to the same period of 2012 (4,638). However, this represented a slower growth compared to the three months to August 2012, which was 40.8% above the same period of 2011. Loan commitments to trade-up buyers (excluding refinancing of existing loans) were up 12.1% over the same period (10,164 from 9,065). The share of loan commitments to first

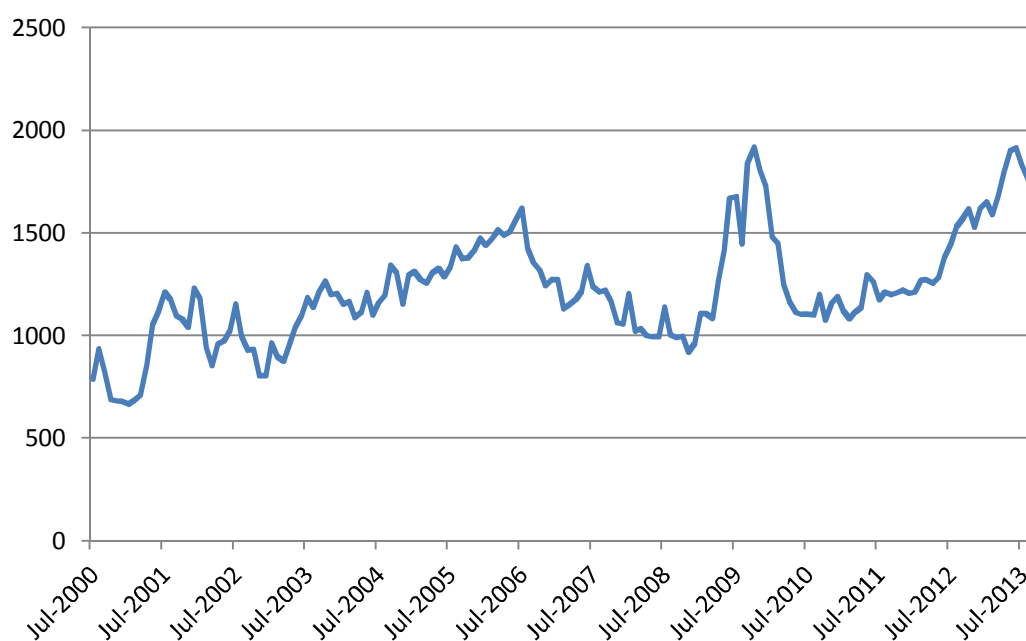
¹³ ABS Cat No 8752.0 Table 79

homebuyers¹⁴ was 35% in the three months to August 2013 compared to the long-term average of 28% since July 2000.

Figure 11 below shows seasonally adjusted loan commitments for the construction of dwellings and purchase of new dwellings. Monthly loan commitments have been rising since the most recent low point of 1180 in July 2011. In the three months to August 2013 a total of 5,507 loan commitments were made for new dwellings representing a 26.3% increase on the same period of 2012 (4,359 commitments). Loan commitments in May to July of this year were on a par with the high point achieved in September 2009 at the time of the FHOG boost.

Figure 11: WA home loan commitments for new dwellings (s. adj.), July 2000 - Aug 2013

Source: ABS Cat No 5609.0 Table 10a & Table 15



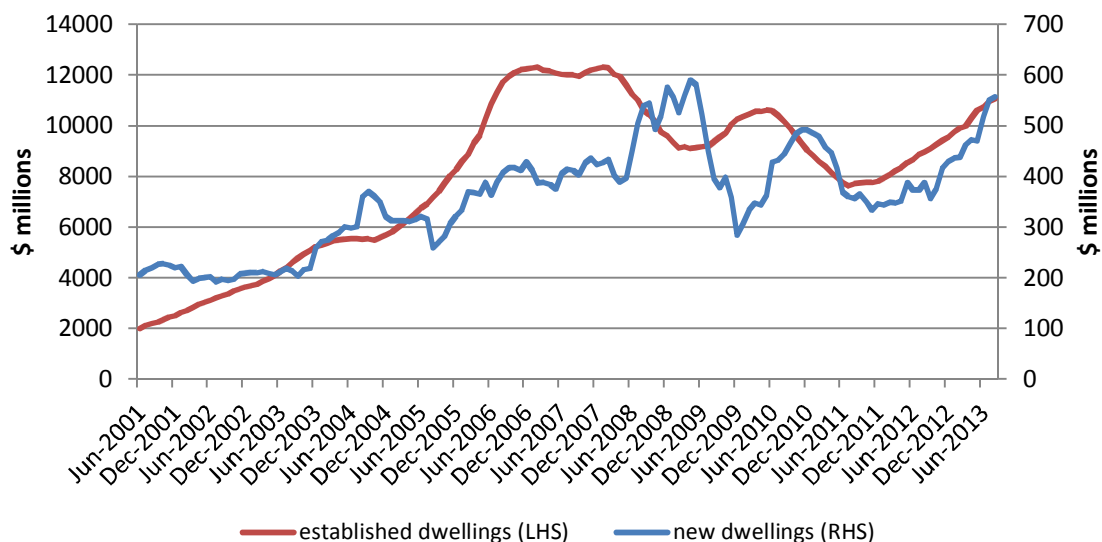
The rolling annual total value of monthly financial commitments to investors for the construction of dwellings for rent or resale (Figure 12) has been increasing since January 2012. In the three months to August 2013, the value of commitments totalled just over \$186 million, up 88.7% on the same period of 2012. Total value of loan commitments to investors for the purchase of established dwellings for rent or resale for the three months to August 2013 at \$2,986 million was up 19.1% on the same period of 2012.

Growth in new finance approvals by investors for the purchase of dwellings for rental or resale has slowed recently, but only after a prolonged period of moderate growth. This contrasts with the previous peak in late 2009, when demand fell away sharply in the wake of the GFC.

¹⁴ Share based on total loans excluding loan commitments for re-financing.

Figure 12 Annual rolling total value of finance commitments for housing investment in WA, Jun 2000-Aug 2013

Source: ABS Cat No 5671.0 Table 23.



5 Housing market trends

5.1 Introduction

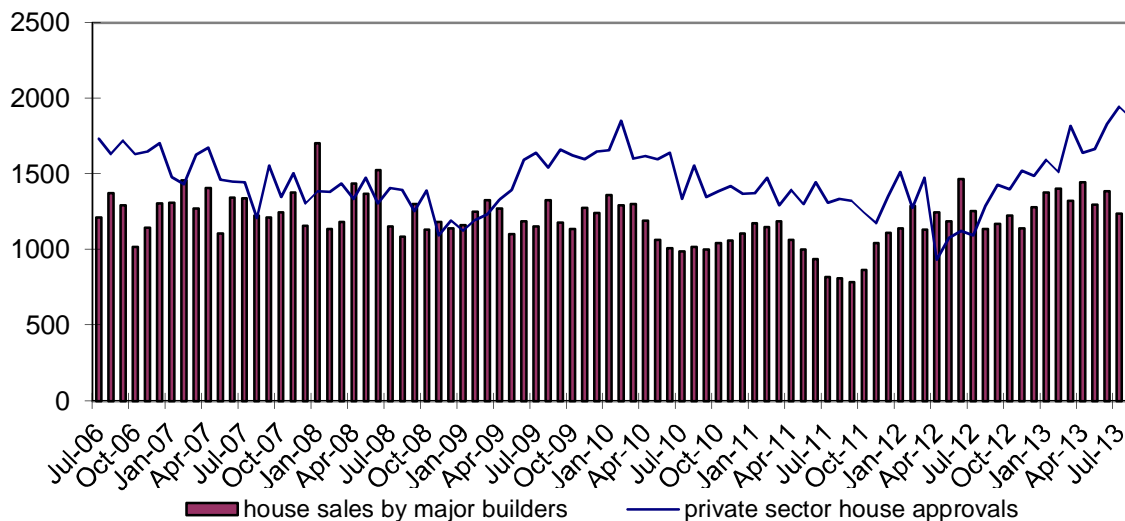
The residential construction sector rebounded strongly in 2012/13 with a 34% rise in dwelling starts. The established housing market in Perth has been characterized by strong first homebuyer activity over the last year at the more affordable end of the market.

5.2 New homes market

The following chart (Figure 13) shows seasonally adjusted Housing Industry Association (HIA) data on house sales and building approvals for private sector houses recorded by ABS. New house sales by the major builders in August 2013 were up 10.2% on the previous month and in the three months to August 2013 were 3.4% higher than for the same period of 2012.

Figure 13: Seasonally adjusted private house sales and approvals in WA, July 2006-Aug 2013

Source: New Home Sales, August 2012, HIA & ABS Cat No 8731.0



The index of project home prices in Perth increased by 3.6% in the year to the June quarter 2013 (see Figure 14 below), which was marginally above the increase for the consumer price index over the same period and was slightly below the weighted average rise of 3.9% for the eight capital cities.

5.3 Established dwelling market

REIWA data¹⁵ market analysis for the September quarter 2013 indicates:

- Perth house sales dipped 12% after a strong uplift in the March quarter and were sitting just below the long term average with the median price dipping to \$505,000 due to strong first home buyer activity but still up 5% on September 2012.
- Property for sale, which has been below the market equilibrium of 12,000 since mid-2011, may be contributing to the slide in activity with listing stock at the end of September sitting at 8,700, 16% below September 2012.
- The average selling days between listing and exchange of contracts was 48 days in the September quarter of 2013, 18 days lower than for the same time last year and close to the 45 days considered as the average in a normal market.

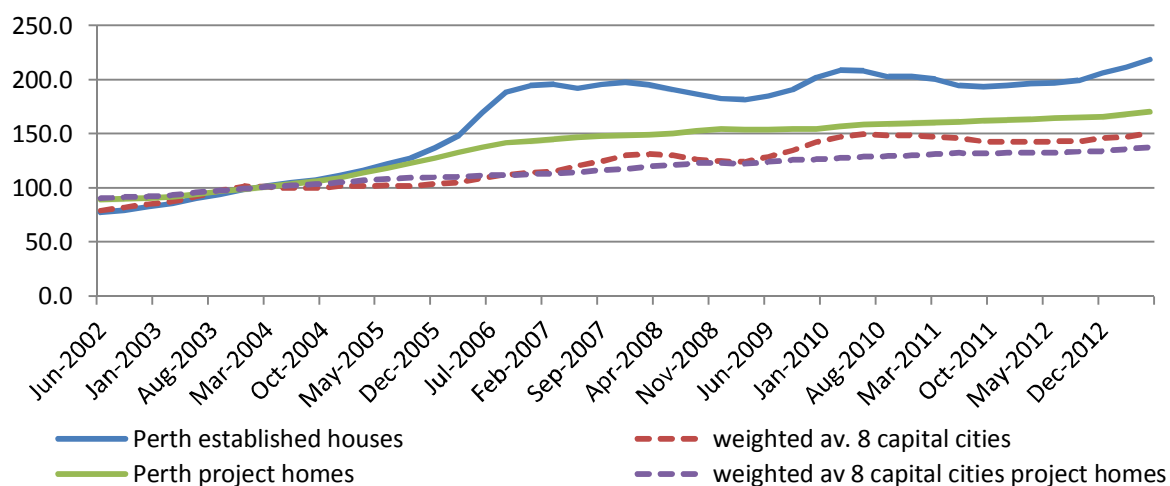
In Regional WA, sales activity in the Peel and South West has rebounded and running at long term averages whilst, the Great Southern, Goldfields and Mid West operate below average levels. Turnover in the Pilbara has fallen to 20 year lows.

Preliminary data from REIWA¹⁶ indicated that Perth's median house price of \$505,000 in the September quarter 2013 was down 3.8% on the revised June quarter figure of \$525,000, but was still 5% higher than for the September quarter 2012.

The decline in the index of prices for established homes in Perth stopped in the December quarter 2011. Perth's index of established home prices increased 11.0% in the year to the June quarter 2013 compared to 5.1% for the eight capital cities weighted average.

Figure 14 Quarterly indexes of house prices, Mar 2002-Jun 2013

Source: ABS Cat No 6416.0



¹⁵ Property Report – November 2 2013, REIWA

¹⁶ *ibid*

5.4 First home buyers' market

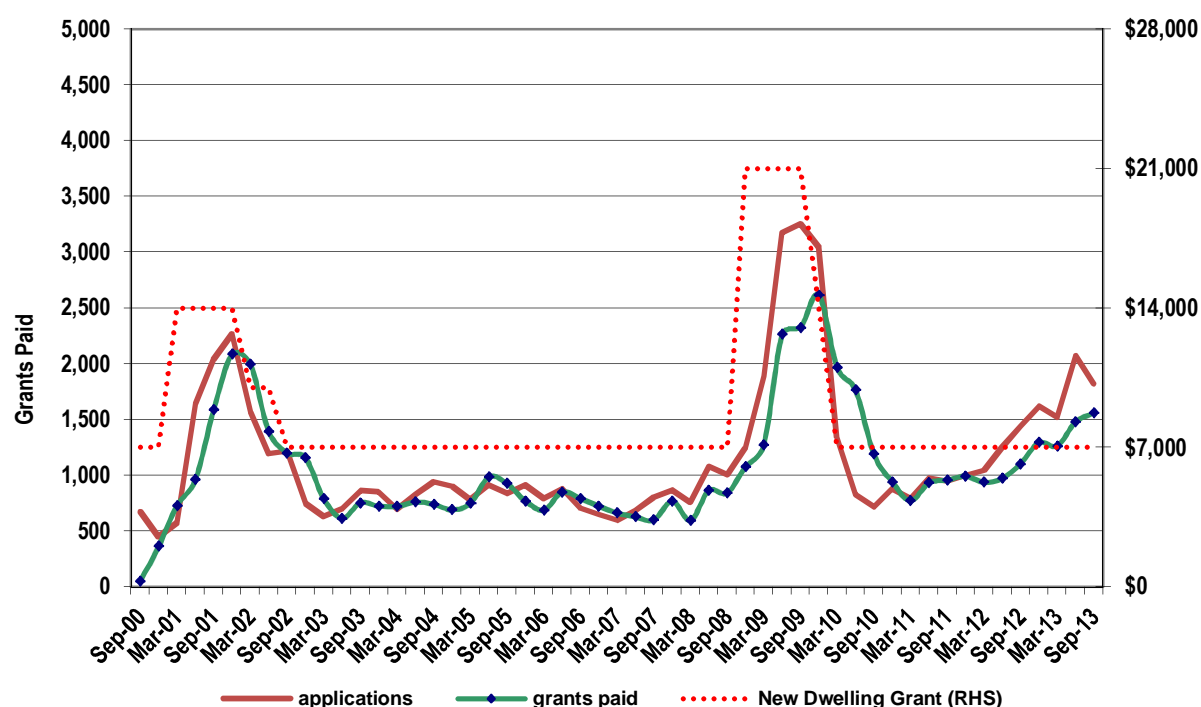
REIWA estimated first homebuyers accounted for 29% of the established market in the June quarter 2013, up four percentage points both on the previous quarter and the year.

In August, changes to the First Home Owner Grant (FHOG) were announced in the State Budget for 2013/14, increasing the grant from \$7,000 to \$10,000 for first homebuyers building a new home and reducing the grant by \$4,000 to \$3,000 for those who bought an established home. The change in grant came into effect from 25 September 2013. Treasury calculated that this will increase the number of new homes built by first homebuyers by 800 in a year.

Out of 19,277 first homeowner grants paid in 2012/13, 5,137 were for new dwellings representing 26.6% of total grants, up from 25.4% in the previous year but still lower than the 41.1% achieved in 2009/10 as a result of the FHOG Boost. Figure 15 shows a positive upturn in grants paid on new dwellings after the trough in September 2010, albeit with a temporary downturn in the September quarter following the announcement of the higher grant in the State Budget.

Figure 15 Quarterly FHOG applications and grants paid in WA for new dwellings, September 2000 – September 2013

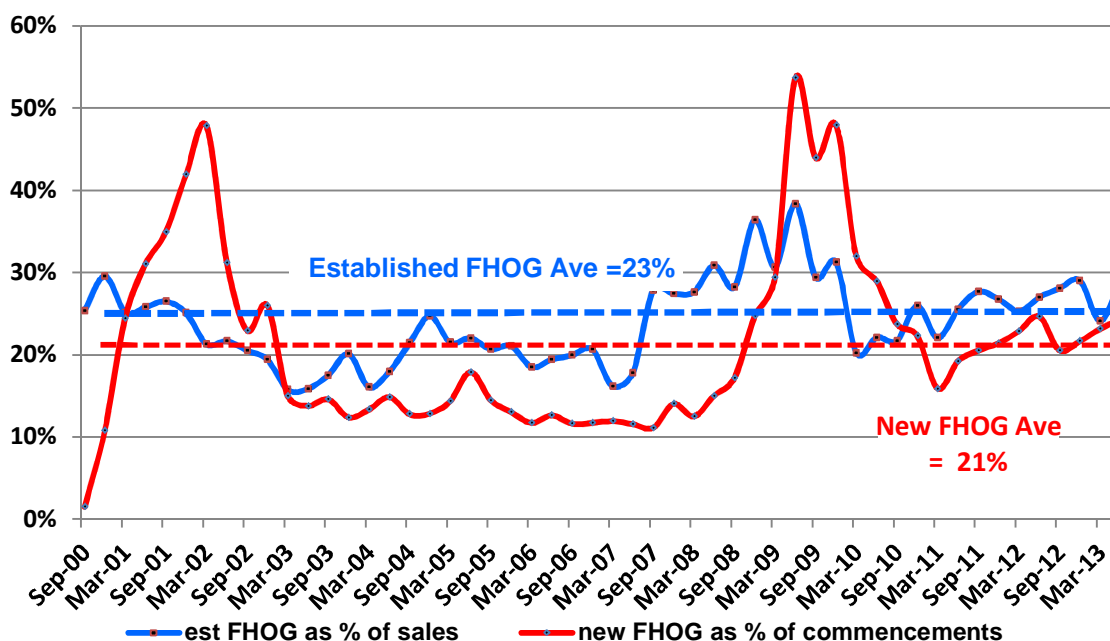
Source: Office of State Revenue



Data on grants paid (Figure 16) suggest the ratio of first homebuyers building a new home is now returning to above the pre FHOG Boost level of around 17% of total new dwelling construction. In the June quarter 2013, the ratio was as high as 25%, representative of the weak demand by up-graders to enter the market for a new home.

Figure 16 Quarterly FHOG grants as proportion of commencements and sales, Sept 2000-June 2013

Source: Calculations based on data from Office of State Revenue, REIWA and ABS Cat No 8752.0

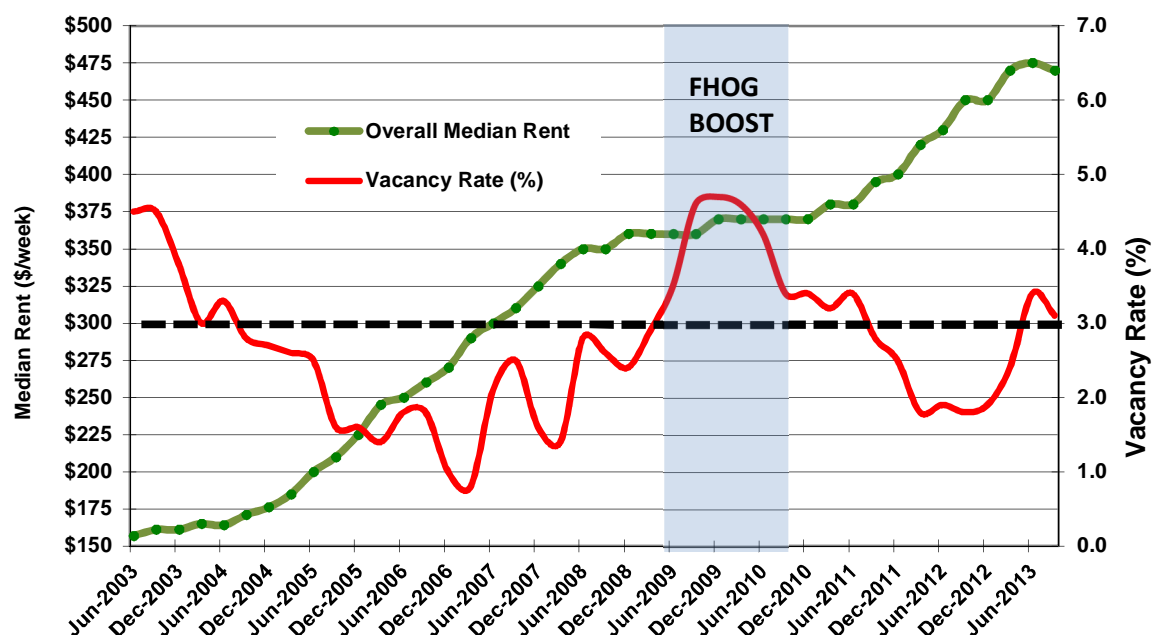


5.5 Private rental market

The latest data from REIWA indicates the vacancy rate in Perth's private rental market has risen since last year and at 3.1% in the three months to September 2013 was 1.3 percentage points higher than a year ago. The higher vacancy rate saw a moderation in the median weekly rent to \$470,¹⁷ down 1.1% on the quarter but up 4.4% for the year.

Figure 17: Perth quarterly median rents and vacancy rates, 2003-2013

Source: REIWA



¹⁷ Perth report for September: house prices and rents down, website news article, 2/10/2013, REIWA.

Figure 17 shows the relationship between Perth's median rent and vacancy rate since June 2003. As the vacancy rate fell below the dashed horizontal line¹⁸, the increase in the median rent accelerated. The recent rise in the vacancy rate coincided with a slowdown in the mining sector, first home buyers exiting the rental sector, the impact of changes to the luxury living-away-from-home allowance announced in the May 2012 Federal Budget and a slowing in the population growth rate. All indications are that Perth will experience an easing in the rental market through to at least 2014. Much of the increase in the rental stock for lease has come from near-city multi-residential markets, which may be further exacerbated by the completion of new apartment projects over the next 12-18 months.

The latest regional rental data indicates the Pilbara is experiencing a sustained fall in asking rents with demand softening and vacancy rates also rising in Kalgoorlie-Boulder. The fall in Broome latest rents reflects a market correction whilst rents in all other centres remain relatively stable.

Table 2: Private sector rents in Perth and major regional centres, September qtr. 2013

Region	Median Weekly Rent	% Change over previous Qtr/yr	Vacancy Rate
Perth	\$470	-1.1%/+4.4%	3.1%
Mandurah/Murray	\$370	-2.6%/+8.8%	~3.0%
Greater Bunbury	\$360	+2.9%/+5.9%	~2.0%
Geraldton/Greenough	\$360	+2.9%/2.9%	3.0%
Kalgoorlie	\$390	-4.9%/-7.1%	~5.0%
Albany	\$295	-1.7%/-1.7%	~2.5%
Broome	\$600	-17.8%/-7.0%	n.a.
Karratha	\$1,100	-8.3%/-18.5%	n.a.
Port Hedland	\$1,300	-18.8%/-35.0%	n.a.

Source: *Market Update, September quarter 2013*, REIWA

5.6 Public sector

Public sector dwelling commencements in 2012/13 were up 96% on the previous year to 1,138. Public housing was allocated \$130 million in the 2012-13 State Budget as part of a two year program to deliver a total of 433 public housing dwellings. \$65 million has been committed in 2013-14 to complete the program.

In addition to this, over the period 2013-14 to 2014-15, the Public Housing Stock Redevelopment Strategy will result in the redevelopment of 200 sites by the Housing Authority to deliver 500 new affordable homes, with no overall reduction in public housing stock. The strategy is financed by a \$55 million, three year loan facility.

More broadly than simply adding to the stock of social housing, the State Government's Affordable Housing Strategy 2010-2020 is generating an increasing number of affordable land and homes in partnership with the private sector. This has included:

¹⁸ Equals the accepted industry standard of 3% for a balance between supply and demand

- 6,686 lots produced by the Housing Authority and its joint venture partners for sale to market and government housing programs, with over 70% of lots below the median price.
- 292 lots produced at the Housing Authority's 'Golden Bay' development. In total, more than 1,700 lots will be produced with house and land packages starting from less than \$300,000.
- Partnering with the private sector to contract 1,222 new 'entry level' affordable homes, with 774 completed and 448 under construction, creating over \$1 billion in economic activity for the State.
- Delivery of two award winning apartment developments in Perth's southern corridor including: 130 apartments in Stage Two of 'Stella Orion' with around 30% specifically for people on low to moderate incomes, with a further 120 currently under construction and 130 apartments in 'Living Space' in Cockburn, including 52 discounted rentals for key workers, 26 units for social housing and 52 for sale.
- Commencement of construction on two CBD apartment developments in partnership with private sector funders and developers. In total, 247 apartments will be delivered with more than 30% specifically for people on low to moderate incomes.
- Partnering with the private sector to design, construct and manage a 293 dwelling project for a key worker lifestyle village in South Hedland.

6 Housing affordability in WA

6.1 Home ownership

The latest HIA–Commonwealth Bank index on housing affordability showed significant improvement for first homebuyers in Perth with the June quarter of 2013 up 6.5 points and up 12.6 points for regional Western Australia compared to the June quarter 2012.¹⁹ The Real Estate Institute of Australia's Home Loan Affordability Indicator for the June quarter 2013²⁰ also registered an improvement in home loan affordability for homebuyers in WA with the index up 2.9 points on the previous quarter and 4.2 points on the year.

Despite the improvement in the trends for housing affordability, access remains a problem for many would-be first homebuyers. In the June quarter 2013, a household on the estimated median household income of \$83,600²¹, with minimal other credit commitments, could have borrowed around \$338,000²². With a 10% deposit, they would have been able to afford a property valued at \$376,000, which was well below the median house price of \$514,000 or even the lower quartile house price in Perth of \$412,500.

In August 2013, the median price of established homes bought by first homebuyers was \$435,000 in Western Australia. Although a different measure, the average loan size of finance commitments to first homebuyers was \$315,300. The average loan, however, is based on all loan commitments to first homebuyers and includes cases where some

¹⁹ HIA–Commonwealth Bank Affordability Report, June Quarter 2013, HIA

²⁰ Housing Affordability Report, June Quarter 2013, Real Estate Institute of Australia

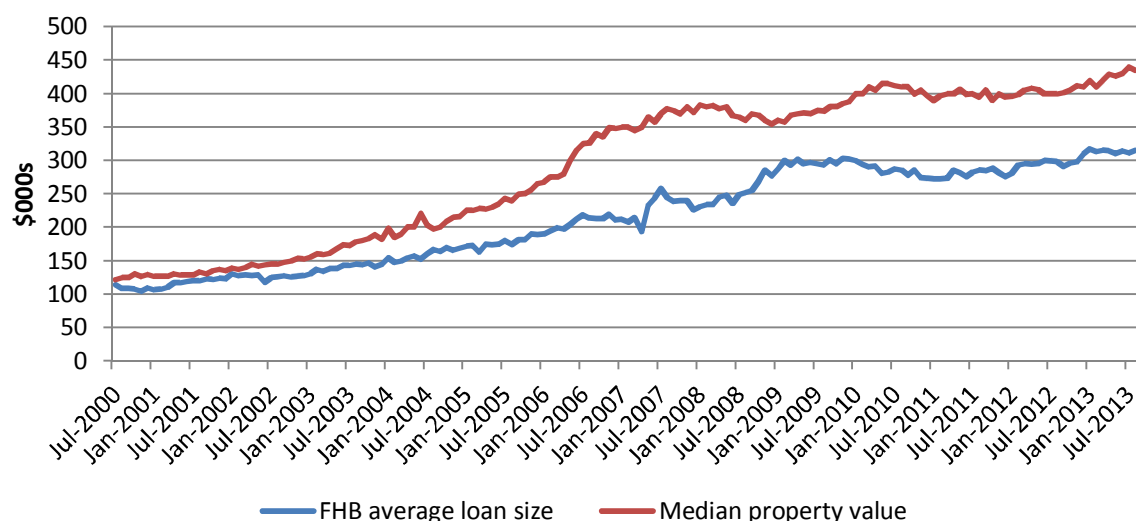
²¹ Median household income for Perth from 2011 Census indexed to June 2012 by Wage Price Index

²² Estimate based on 10% deposit and repayments at 30% of gross income. However, households with no dependent children are usually permitted by banks to exceed this 30% limit.

borrowers take a loan “cocktail”, one variable and the other fixed interest²³. This means the average loan figure understates the total loan amount taken up by first home borrowers but has some use as a measure of the trend, which can be seen in Figure 18. The gap between average loan and median property value in WA widened noticeably with the 2006 property boom and has not closed since, other than for a short period in 2009.

Figure 18: First homebuyer average loan and median property value in WA, July 2000-Aug 2013

Source: ABS and Office of State Revenue



6.2 Private rental

The median private rent in Perth was \$470 per week in the September quarter of 2013, a 4.4% increase in the year. A household needed a gross income of around \$1,570 per week, or \$81,640 per annum, to be able to afford such a rent (i.e. by not paying more than 30% of their income on rent). Households in lower incomes will be struggling and this has been one factor behind the continuing high demand for public housing, which at the end of September 2013 totalled 21,040 households on the waiting list.

The National Rental Affordability Scheme (NRAS) is providing affordable rental housing in Western Australia with 1,464 dwellings completed by the end of June 2013 and a target of over 3,000 to be completed by the end of June 2014. In return for financial incentives, currently worth \$10,350 per dwelling per year for ten-years, investors make the dwellings available to low and moderate income households at rents 20% below the local market level. Western Australia currently has a total allocation of 7,000 incentives for rental dwellings, which includes the 1,000 new incentives as announced in the 2013/14 State Budget.

7 Housing industry resources and challenges

7.1 Construction costs, building materials and labour supply

The increase of 3.6% in the Project Home Price Index for Perth in the year to June quarter 2013 was above the increase of 2.5% in Perth's consumer price index.

²³ For definition of average loan see Glossary in ABS Cat No 5609.0 issued 8 August 2012

The price index of building materials used in housing construction in Perth increased by 1.6% in the year to the June quarter 2013, compared with a 1.2% increase for the six major capital cities. The increase in Perth was largely attributable to increases in the price of concrete, cement and sand (+5.0%).²⁴

A survey of HIA trade subcontractor members²⁵ in the June quarter 2013, reported the availability of trades in Perth was in moderate short supply and regional WA had improved from under-supply to being in balance. Master Builders Association's (MBA) Building Industry Employment Monitor showed a big rise in advertised job vacancies and calls for sub-contractors for major building trades totalling 1,607 in September 2013, a 95% rise on the year and 9% on the quarter. The main increases were in the starting trades (around 70% for bricklayers). Wet weather in August and September this year accentuated these shortages.

The HIA Trade Contractor Price Index²⁶ for Perth in the June quarter 2013 was 3.5% higher on the previous quarter and up 7.5% on the year, the latter being the highest increase for all regions across Australia. In regional WA the quarterly increase was +2.4% and 4.8% for the annual change.

7.2 Industry issues and short-term challenges

Industry members of HIFG are concerned about the on-going issues regarding housing indemnity insurance in Western Australia. They note the State Government has been reviewing the matter and look forward to seeing the recommendations.

Industry members also welcome the commitment by the Minister for Planning for continued reform of WA's planning system with the release last month of a discussion paper regarding Stage 2 of planning reform in Western Australia²⁷ plus a discussion paper on Planning Provisions for Affordable Housing²⁸.

The group notes and welcomes the greater market penetration of modular housing construction into the mainstream. Modular housing systems can help to increase housing diversity in the State, reduce building times and improve housing affordability.

8 Underlying demand for housing

8.1 Underlying housing requirements

The Group believes the underlying dwelling requirement in WA based solely on demographic factors is now running at just under 25,000 dwellings per annum. This estimate is based on a population growth as outlined in section 2.3 above and an on-going ratio of 2.6 persons per household. An un-occupied factor of 5.3% and a demolitions rate of 14.41% were based on

²⁴ ABS Cat 6427.0 Table 18.

²⁵ Trades Report, HIA Austral Bricks, June Quarter 2013

²⁶ *ibid*

²⁷ *Planning makes it happen: phase two*, Planning Reform Discussion Paper, WAPC, September 2013

²⁸ *Planning Provisions for Affordable Housing, Discussion Paper*, October 2013 WAPC

figures calculated by the National Housing Supply Council²⁹ from inter-census stock figures between 2001 and 2006.

8.2 State of supply

As in our previous reports, the HIFG has utilised the National Housing Supply Council model updated to reflect assumptions based on the latest data from the 2011 Census. This presents a dramatic turnaround in the state of housing supply in Western Australia. Whereas the NHSC in its latest report³⁰ suggested a shortfall in the State of some 38,000 dwellings as at June 2011, our interpretation of the model based on completions suggest the housing system was in virtual equilibrium in June 2009 and the shortfall of 38,000 did not occur until sometime in 2012/13.

The alternative approach of using commencements, which has been the traditional method of assessing the state of supply, allows for the inclusion of projected commencements to forecast the state of supply over the medium term. With the benefit of disaggregated commencement data provided by ABS along with historic population data and projections, the HIFG is able to make a more informed assessment of housing supply in WA. Using this methodology, the following chart (Figure 19) shows the estimated surplus/shortfall of dwellings in WA, Perth and the rest of the State for the forecast period of 2013/14 to 2016/17 against the number of dwelling commencements net of demolitions and an adjustment for un-occupied properties.

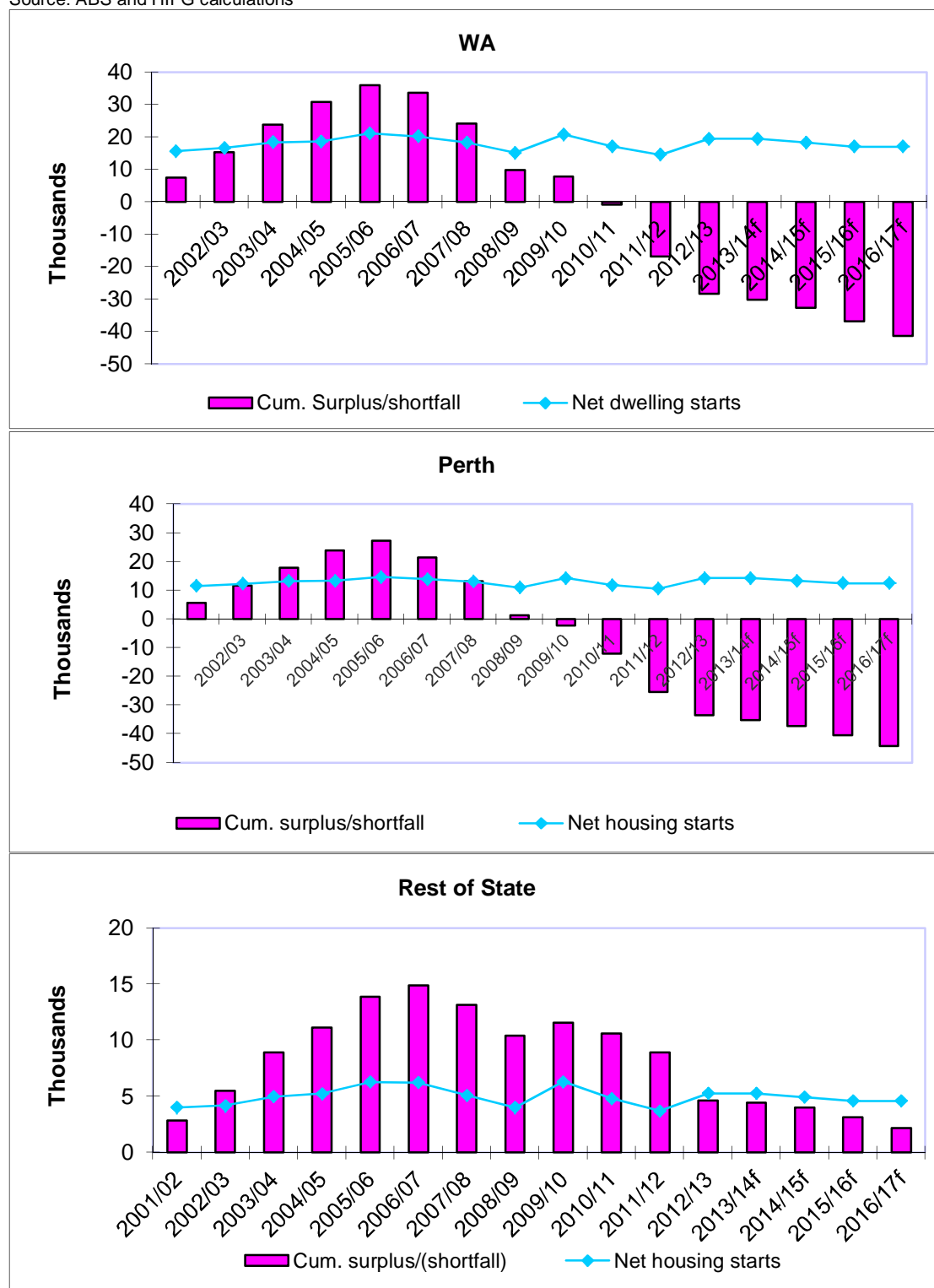
At the end of June 2013, compared to underlying demand based purely on demographic factors, Perth had an estimated shortfall of 32,500 dwellings. This estimate increases to a shortfall of 43,000 by June 2017. In the rest of the State, excluding Perth, we have an estimated small surplus of 5,500 dwellings over underlying demand in June 2013 that falls to a surplus of 3,000 by June 2017. This obviously does not take into account housing shortages in some regions, such as the Pilbara and Kimberley (see Figures 27 & 28 below), which are more than offset by housing surpluses in other regions.

²⁹ 2nd State of Supply Report, April 2010, NHSC.

³⁰ *Housing and Affordability – Key Indicators, 2012*, June 2012, National Housing Supply Council

Figure 19: Net dwelling starts and cumulative surplus/shortfall in WA, Perth and ROS

Source: ABS and HIFG calculations



9 Forecast of dwelling commencements and land supply

9.1 HIFG's Forecast of Dwelling Commencements

HIFG Forecast of Dwelling Commencements in WA, 2013/14 to 2016/17		
Financial Year	Dwelling Commencements	% change
2012/13 (actual)	24,010	
2013/14 (forecast)	24,000	+0%
2014/15 (forecast)	22,500	-6%
2015/16 (forecast)	20,000 – 22,000	
2016/17 (forecast)	20,000 – 22,000	

After the strong recovery of 34% in dwelling commencements in 2012/13, the question centres on the sustainability of this upturn which appears to be close to the productive capacity of the sector in WA. HIFG are expecting a continuation with the same level of commencements of 24,000 in 2013/14 based on a continuation of low interest rates (at least into the first half of 2014) and the increase in FHOG to \$10,000 for first homebuyers building their home.

However, consumer confidence in property remains fickle and any increase in unemployment and interest rates later in 2014 means that dwelling commencements are likely to fall from the peak in 2012/13 and 2013/14. Therefore, members believe that dwelling commencements in 2014/15 will ease back by 6% to 22,500 and in the out-years will fall within the 20,000-22,000 range. As the WA economy transitions from investment growth to export-led growth over the forecast period, there is a risk that this transition may negatively impact on the demand for housing more than is currently anticipated.

9.2 Assessment of serviced residential land supply

On the basis of 1.3 dwellings per lot³¹, our forecast suggests there will be a need for around 18,000 residential lots per annum. Part of this demand will be supplied from demolitions and existing vacant listings but the majority of lots will need to be provided by new land and infill development. Although final lot approvals for Perth have picked up strongly since the low point in 2012, continued restrictions on access to finance mean developers are providing lots for immediate demand rather than adding to stock numbers. Gone are the days of large land developments of 500 lots. Restricted credit supply post-GFC has led to much smaller staged developments. With interest rates at historically low levels, demand for land and new housing will continue at a relatively high level and continue to test the market's ability to meet that demand in a timely manner.

³¹ Estimate based on ABS unpublished data referred to in HIFG's October 2011 Report (page 12).



While there is an overall sufficient supply of residential land available to meet demand for the immediate future, HIFG remains concerned about the capacity of the sector to supply sufficient serviced, titled lots to meet future demand in a timely manner.

Appendix A – Regional Land and Housing Activity

A1 Introduction

This appendix provides a summary of land development and building activity in regional Western Australia, using available data and reports from HIFG member organisations.

A2 Regional Western Australia – Activity 2012-13

Table A1 indicates the picture of regional lot development activity in the June quarter of 2013. Comparing the June quarter 2013 with a year ago, proposed lots for applications lodged by developers were up strongly in Great Southern (106 to 444) Mid West (76 to 360), Pilbara (12 to 140), Goldfields-Esperance (54 to 195), Wheatbelt (32 to 72) and the Kimberley (10 to 77). With the exception of the South West, Great Southern and Kimberley, lots with final approval were up in most regions.

Table A1: State Lot Activity, June Quarter 2013

Region	Applications lodged by Developers: proposed lots	Applications under assessment: proposed lots	Conditional approvals: proposed lots	Developers' stock of conditional approvals: proposed lots	Final approvals: lots
Metropolitan	10,589	14,797	4,911	46,790	3,959
Peel	675	1,077	616	5,888	402
South West	789	1,464	351	5,711	68
Great Southern	444	872	186	2,645	13
Mid-West	360	355	30	4,118	16
Wheatbelt	72	104	191	2,738	28
Goldfields-Esp	195	195	36	977	21
Gascoyne	59	59	39	388	0
Pilbara	140	507	54	2,696	395
Kimberley	77	316	77	1,035	3
Country (incl. Peel)	2,811	4,949	1,580	25,682	946
Total State	13,400	19,746	6,491	72,472	4,905

Source: State Lot Activity, June Quarter 2013, WAPC

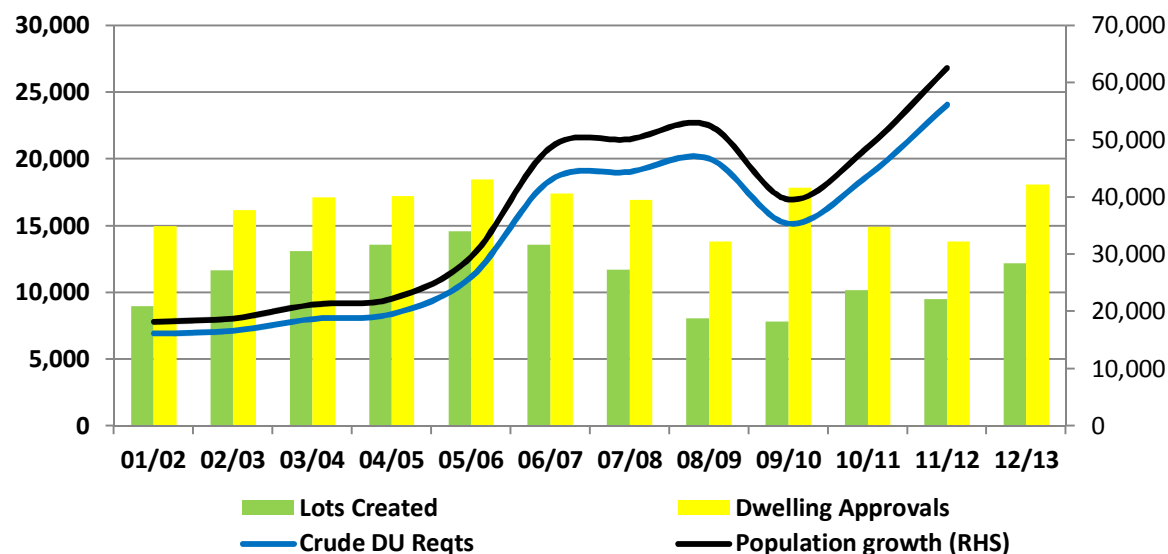
A3 Annual regional trends, 2001/02 to 2011/12

The following charts provide summary annual data since 2001/02 showing: final residential lots created, total building approvals, population growth and estimated dwelling unit requirements based on regional persons per household from the 2011 Census.

Figure 20 (next page) shows the strong growth in population for the Perth region and how the level of crude dwelling unit requirements have started to diverge from both the number of new lots created and building approvals since 2010/11. In the first five-years of the period, lots and building approvals were well ahead of dwelling demand on the basis of population growth.

Figure 20: Perth region, 2001/02 to 2012/13

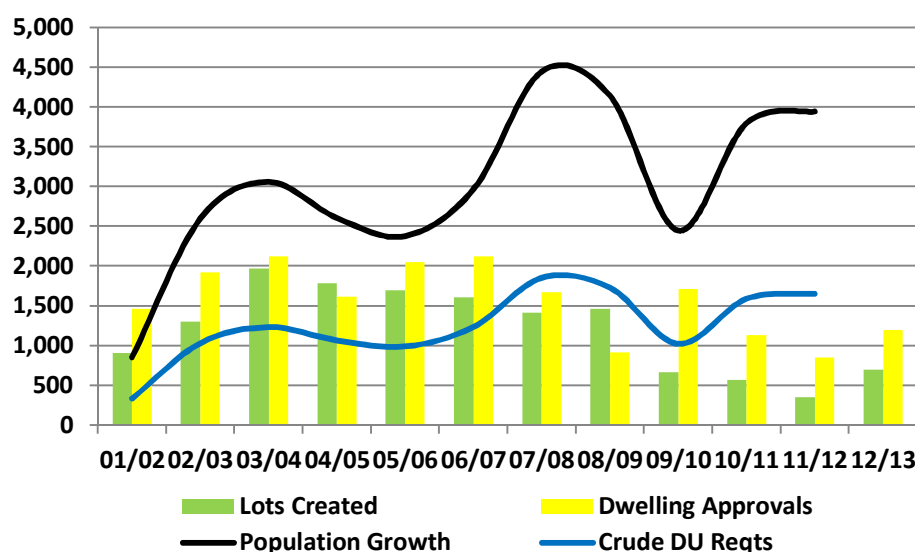
Source: ABS, WAPC and HIFG estimates



The Peel region (Figure 21 below) witnessed strong population growth in 2007/08 and 2008/09 but then declined during the GFC. Growth started to pick up again in 2010/11 and 2011/12. Building approvals have generally been above the crude measure of dwelling unit requirements but are now showing a shortfall in the last two financial years.

Figure 21: Peel region, 2001/02 to 2012/13

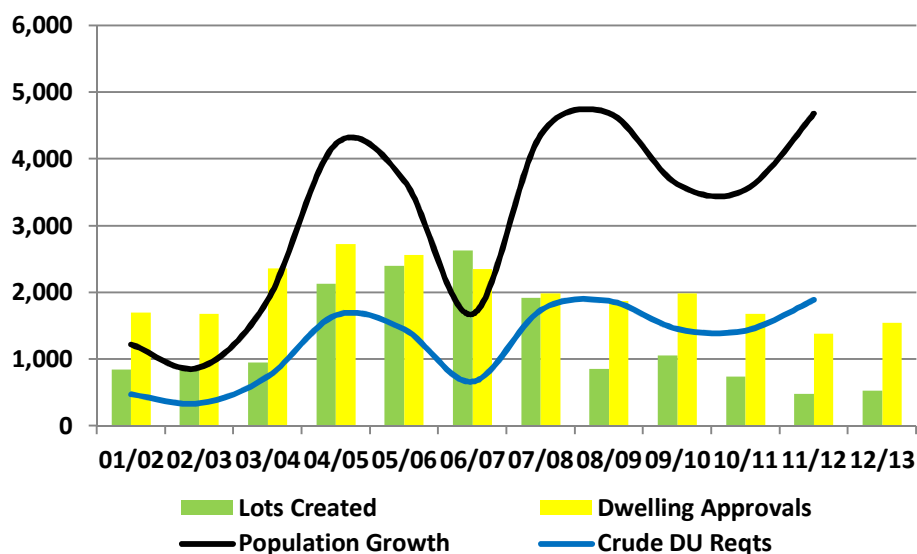
Source: ABS, WAPC and HIFG estimates



Population growth in the South West has been strong since 2003/04 although it temporarily eased off during the GFC. Lots created have fallen well below building approvals and have been well under a thousand per year since 2009/10 since 2007/08 with dwelling approvals falling below dwelling requirements in 2011/12.

Figure 22: South West region, 2001/02 to 2012/13

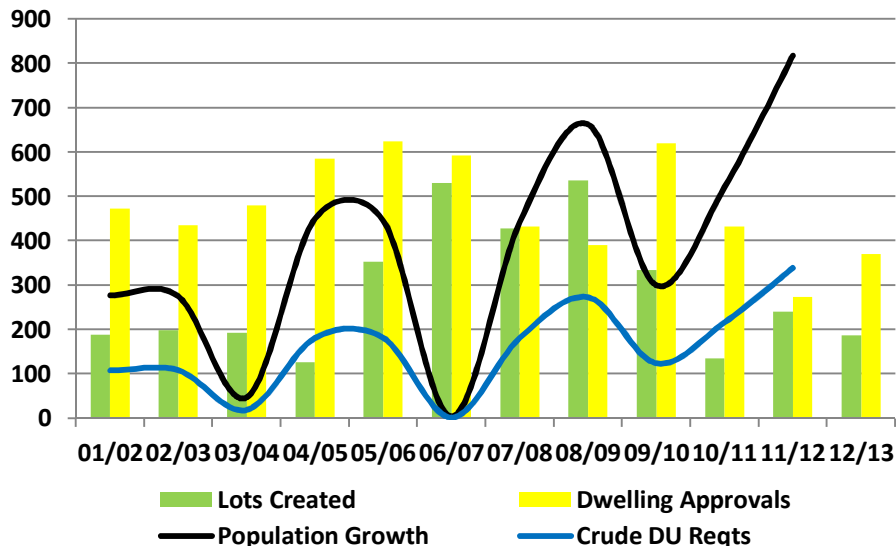
Source: ABS, WAPC and HIFG estimates



Population growth in the Great Southern (Figure 23) has shown wide variations over the last decade with a large jump in 2011/12, albeit from a low base compared to the South West. Building approvals and lots created have been matching dwelling requirements over time except for 2011/12.

Figure 23: Great Southern region 2001/02 to 2012/13

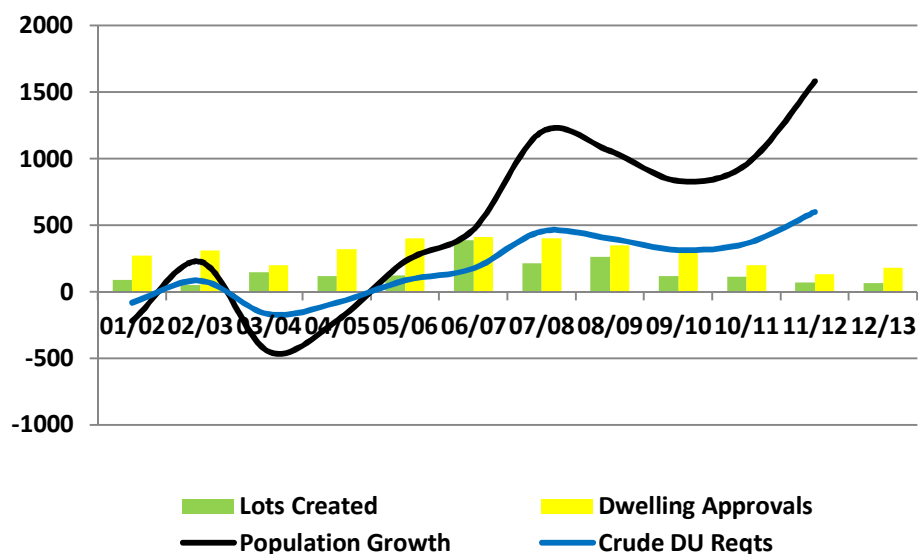
Source: ABS, WAPC and HIFG estimates



The Goldfields-Esperance region (Figure 24) has also seen substantial swings in population over the last ten-years, which can be related to the fortunes of the mining sector in Kalgoorlie. New lots created have been running at a low level since 2008/09.

Figure 24: Goldfields-Esperance region 2001-02 to 2012/13

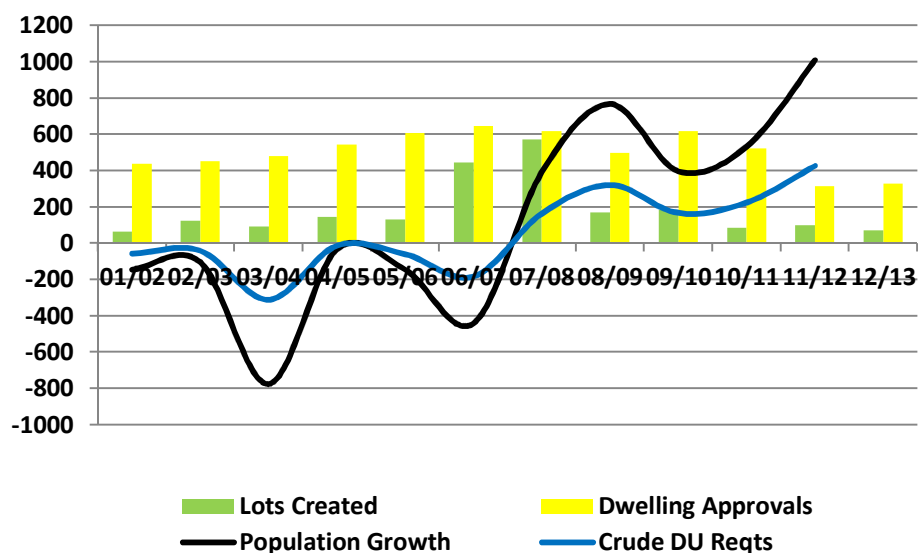
Source: ABS, WAPC and HIFG estimates



Population drift from the Wheatbelt (Figure 25) was particularly noticeable with a significant population loss in 2003/04 and 2006/07. But population has increased since 2007/08 with growth in Chittering, Northam, Toodyay and York off-setting continuing population declines in other parts of the region. Up to 2010/11 and 2011/12, building approvals have been well ahead of what would be needed to meet the estimated dwelling needs of the region.

Figure 25: Wheatbelt region, 2001/02 to 2012/13

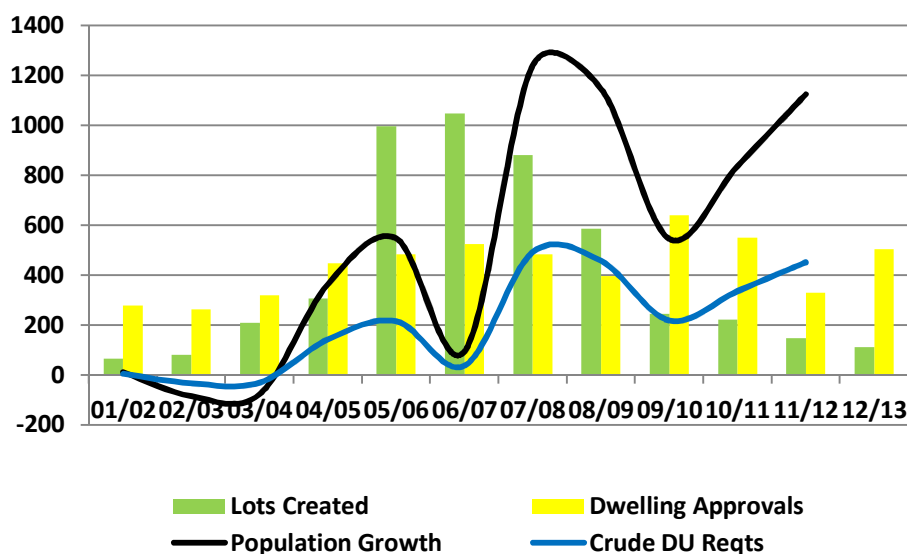
Source: ABS, WAPC and HIFG estimates



The Mid West region of the State (Figure 26) has seen a significant population growth since 2003/04, as a result of economic growth in the area. Despite this growth, building approvals have managed to stay ahead of dwelling unit requirements. The chart clearly demonstrates the excess of lots created in the middle part of the decade in the Geraldton region that started to be taken up by the higher level of building approvals in 2009/10 and 2010/11. Lots created have been well ahead of building approvals since 2009/10.

Figure 26: Mid West region, 2001/02 to 2012/13

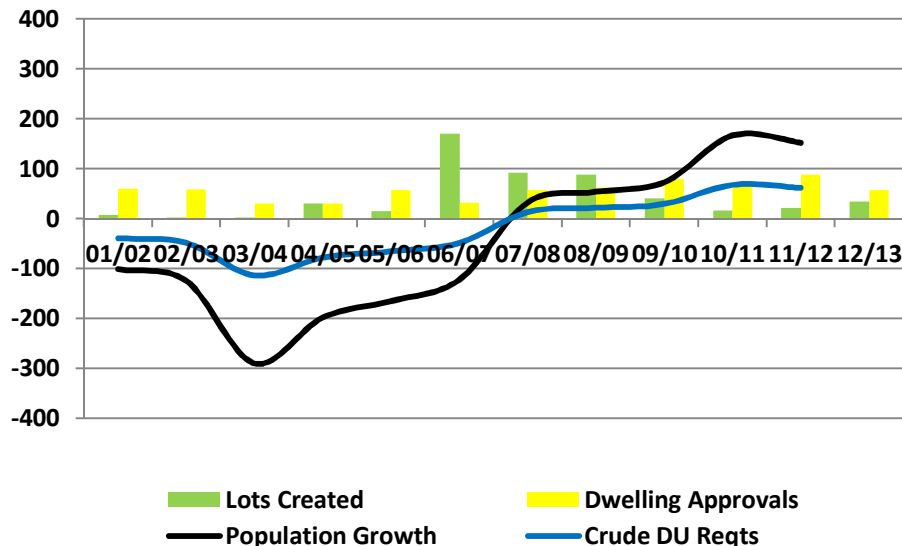
Source: ABS, WAPC and HIFG estimates



Population growth in the Gascoyne region (Figure 27) was negative for the first half of the last decade. Building approvals have remained positive with no perceived housing shortfall. With greater offshore activity, the region's population has started to see some growth since 2008/09 with a concomitant increase in building approvals.

Figure 27: Gascoyne region, 2001/02 to 2012/13

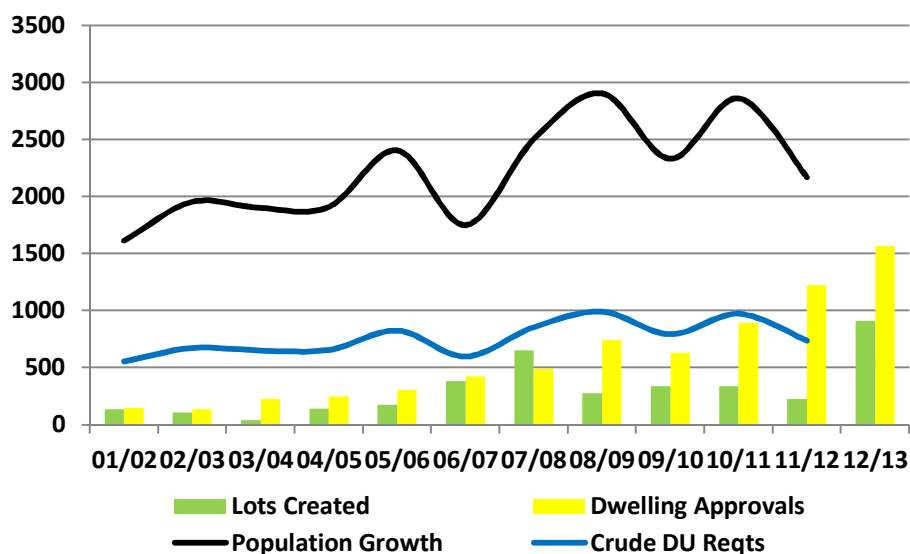
Source: ABS, WAPC and HIFG estimates



The Pilbara region has been subject to the swings and roundabouts of the mining and resources sectors. Figure 28 demonstrates the large growth in the Pilbara's population that started in 2005/06 with the most recent mining boom. New building lots and building approvals have been running well below the level needed to meet housing demand, resulting in the very high price of housing in the area. However, building approvals have responded strongly since 2009/10.

Figure 28: Pilbara region, 2001/02 to 2012/13

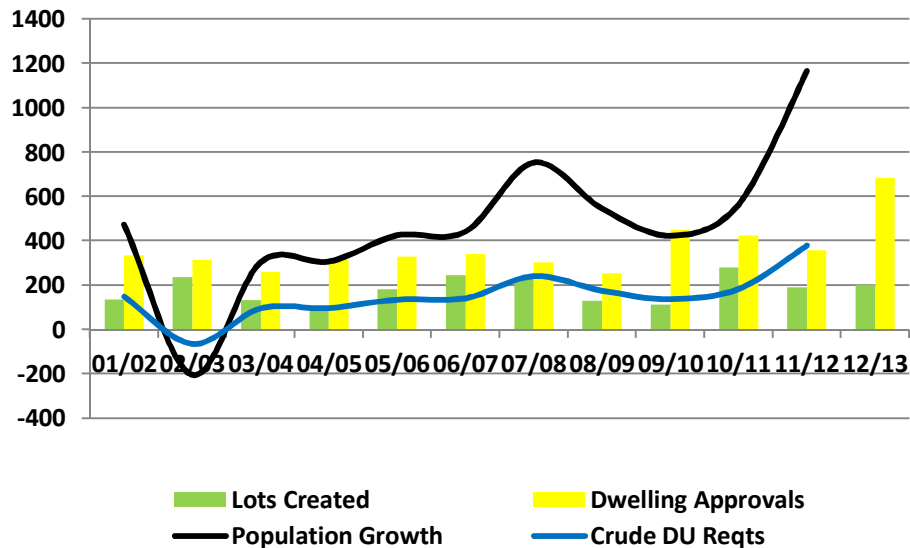
Source: ABS, WAPC and HIFG estimates



After negative population growth in 2002/03, the population in the Kimberley region (Figure 29) increased strongly from a low base in 2006/07. New residential lot creation and building approvals kept pace with the annual growth in the crude measure of housing need until 2011/12.

Figure 29: Kimberley region, 2001/02 to 2012/13

Source: ABS, WAPC and HIFG estimates



Appendix B – Estimation of the land pipeline

The following table shows the six key stages of the lot supply pipeline with estimates for the first four stages of the amount of residential land in Perth, Peel and Greater Bunbury.

Stage		Definition	Land estimate
Undeveloped zoned land supply (stock)		Land zoned for urban development is defined as land zoned urban or urban deferred in the Metropolitan, Peel or Greater Bunbury region schemes. The undeveloped area (measured in hectares) refers to the portion of land zoned for development, which has not yet been subdivided for urban purposes.	29,020 ha. Figure as at December 2011 (updated figure currently being estimated by DoP)
Conditional subdivision approvals (flow)		Conditional approval is granted by the WAPC for subdivision to begin subject to certain conditions being met. The approval is preceded by an assessment of the proposed subdivision plan by statutory referral agencies, including servicing authorities. On receipt of conditional approval, the proponent may commence subdivision development in accordance with the conditions of approval. A conditional approval remains valid for three years when five lots or fewer are approved; and for four years when six lots or more are approved.	26,018 lots 12 months to 30 June 2013
Conditionally approved lots (stock)		Current conditional approvals (or stock of current conditional approvals) refer to those conditional approvals that are still valid but have not yet been issued with final approval. In general, these are approvals for which construction/servicing has not yet commenced or is currently under way (see active conditional approvals).	72,472 lots Stock as at 30 June 2013
Final subdivision approvals (flow)		Final approval is the WAPC endorsement of the proponent's submitted plan/diagram(s) of survey describing the now complete subdivision, constructed in accordance with the conditions set down in the conditional approval. Final approvals are then registered with the Office of Titles where certificates of titles for the newly created lots can be issued.	15,009 lots 12 months to June 2013
Serviced lots available (stock)		Stock of serviced lots available to public refers to the number of serviced lots, for which title has been issued, that are available to the public for purchase.	
Lots sold (flow)	Titled	Titled lots sold refers to the number of residential lots, for which title had been granted prior to sale, to have been sold in the quarter.	
	Pre-sales	Pre-sales refers to the number of residential lots to have been sold prior to final subdivision approval. These lots are generally (but not always) approved and under construction, but not yet titled.	

Source: Department of Planning

Appendix C – Housing Industry Forecasting Group

The Group is a joint industry and government body re-established in February 2008 to provide independent commentary on the housing sector in WA. The Department of Planning and the Department of Housing jointly provide the HIFG secretariat and research function.

Membership of the Group is drawn from major organisations associated with the housing and land development industry in Western Australia and from government. Through its diverse membership, the Group has access to considerable expertise and knowledge of the sector, including land development, real estate, the private rental market, social housing, building statistics, demographics, building resources and home finance.

HIFG Members – as at October 2013

Member	Organisation Represented
Stewart Darby (Chair)	Real Estate Institute of WA
Alan Langford	Bankwest
Ryan Buckland	Chamber of Commerce and Industry WA
John Gelavis	Housing Industry Association
Gavan Forster	Master Builders Association
Benjamin Hammer	Chamber of Minerals and Energy
Tim Connoley	Urban Development Institute of Australia (WA)
Simon Ward	Department of Housing
Steven Rowley	Housing and Urban Research Institute of WA
Brett Coombes	Water Corporation
Adam van Lohuizen	Department of Treasury
Damien Martin	Department of Planning
Jacqui Homer	Department of Premier and Cabinet
Observers	
Marion Thompson	Urban Development Coordinator
Tim Landrigan	Australian Bureau of Statistics
Secretariat	
Ian Hafekost	



