# The Outlook for Residential Land in Perth 2011 – 2016

"Lot production in Perth remains well below the peak levels of 2005 – 06. When will the market recover?"

EXTRACT TO INDICATE THE GENERAL NATURE OF THE REPORT

RESIDENTIAL PROPERTY

BIS Shrapnel
BUSINESS RESEARCH AND FORECASTING

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# 1. INTRODUCTION

After peaking in 2007, house prices in Perth have stalled and dwelling activity has slowed—held back further by weak sentiment surrounding the state economy following the Global Financial Crisis. By June 2009, Perth's median land price had fallen by 15 per cent from the peak. While, lower interest rates and strong demand from the First Home Buyer market led to a recovery in prices over 2010 as dwelling construction activity and the demand for land increased, this was short lived, as construction activity reduced over 2011. Overall local sentiment remains weak as continued global uncertainty, particularly on the continued sovereign debt crisis in Europe, hinders residential activity. Nevertheless, economic conditions in Western Australia strengthen and unemployment is low. How long will it take for a recovery in new house and lot production to come through?

This report *The Outlook for Residential Land in Perth 2011 to 2016* is BIS Shrapnel's fifth report into the outlook of the demand for, and the supply of, broadhectare land in Perth.

In undertaking the analysis, the study takes a "top down" approach to determining the demand for land—starting with forecasts of the demand for and the supply of residential dwellings, which can then be translated into the demand for broadhectare land.

The report provides:

- Forecasts for population growth and underlying demand;
- Forecasts for new dwelling commencements, split between detached houses, medium density (semi detached, terraces and townhouses), and high density (flats, units, and apartments) dwellings;
- A profile of residents in areas where new homes are being built and new subdivisions are taking place;
- Analysis and forecasts of broadhectare land production at the capital city/region level;
- Identification of the residential growth corridors and analysis of the trends in their broadhectare lot production;
- A survey of selected growth corridors, identifying the typical development patterns in each—i.e. average lot sizes, average lot prices, etc.
- Forecasts for residential house and vacant broadhectare land price growth.

The forecasts for new dwelling activity, land production and price growth are provided annually to 2016.

## 1.1 Regions covered by this report

This report examines residential land development in the outer suburban regions where most broadhectare development takes place. The subregions within Metropolitan Perth covered by this report are highlighted in Chart 1.1 and are defined by the Western Australian Planning Commission below. In this study, we refer to the total area outlined below as the *Expanded Perth* region. We sometimes also use the definition *Perth Statistical Division* (Perth SD), for ease of analysis because it coincides with the definition of Metropolitan Perth by the Australian Bureau of Statistics. Perth SD does not include the Peel region.

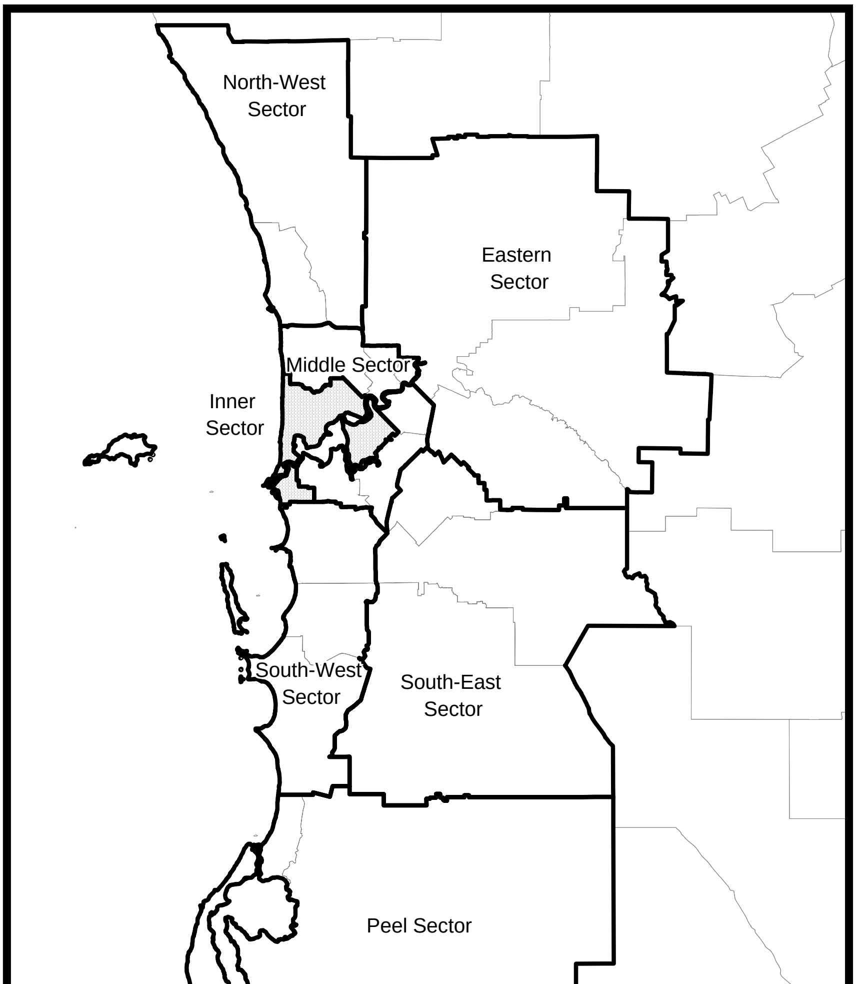
**Inner and Middle Perth**

- Inner Perth (Perth, South Perth, Victoria Park, Subiaco, Vincent, Nedlands, Claremont, Cambridge, Cottesloe, Mosman Park, Peppermint Grove, and Fremantle Local Government Areas)
- Middle Perth (Melville, Canning, Belmont, Bassendean, Bayswater, and Stirling LGAs).

**Outer Perth and Peel**

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

**Chart 1.1: Perth residential land regions**



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# Residential Land Market Outlook for Demand and Supply 2011 – 2016

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