

J U N E 2 0 1 5

PERTH MARKET CYCLES

A RETURN TO A NORMAL MARKET

Presented by: David Cresp

- Economic Drivers and Population Growth
- Residential Market Cycle
- Commercial Market Cycle

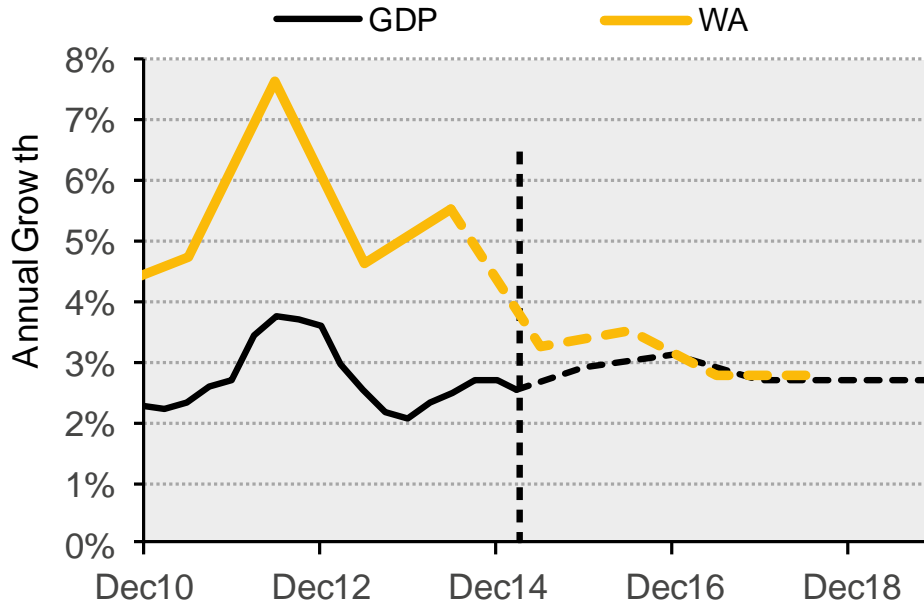


ECONOMIC DRIVERS – IT'S ALL ABOUT POPULATION GROWTH

WA Economy Slowing and Coming Back to National Growth Rate...

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National GDP and State GSP



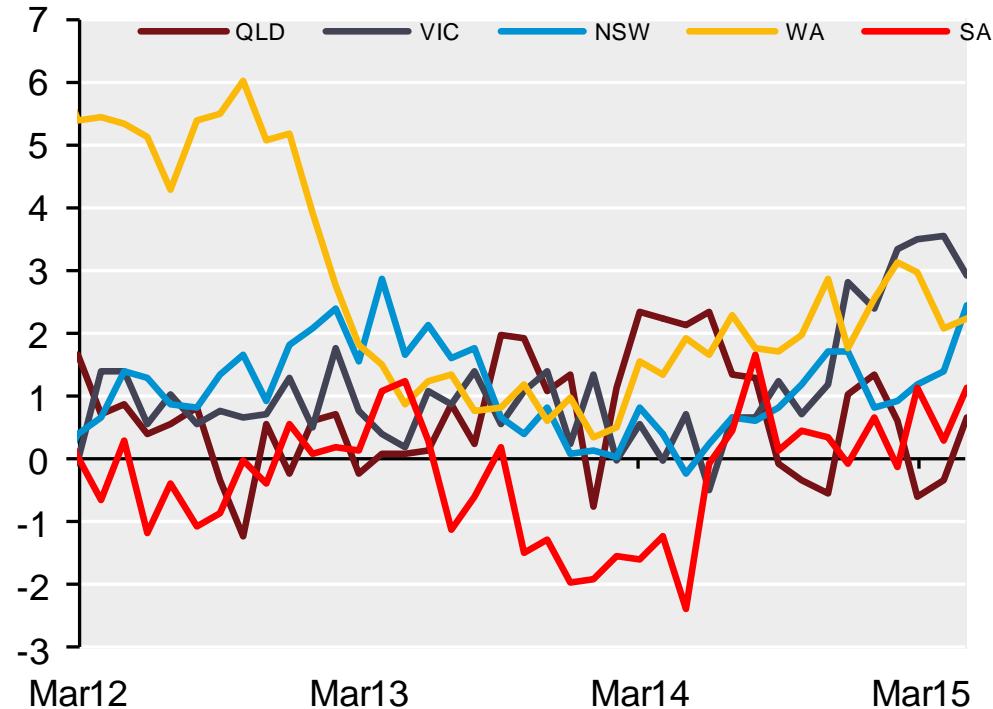
Source: Urbis, Economist Intelligence Unit, ABS, State Treasury

- Since 2005 more has been spent on mining investment in Australia than anywhere else in the world.
- WA attracted 52% of mining investment in Australia in 2013–14.
- The current round of LNG projects will be completed in 2015/16.
- Recent WA budget forecasts are still positive with GSP growth falling back to 2.75% in line with forecasts for national growth.

Employment Growth has Slowed but remains at Healthy Levels...

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Employment Growth (%yoy seasonally adjusted)



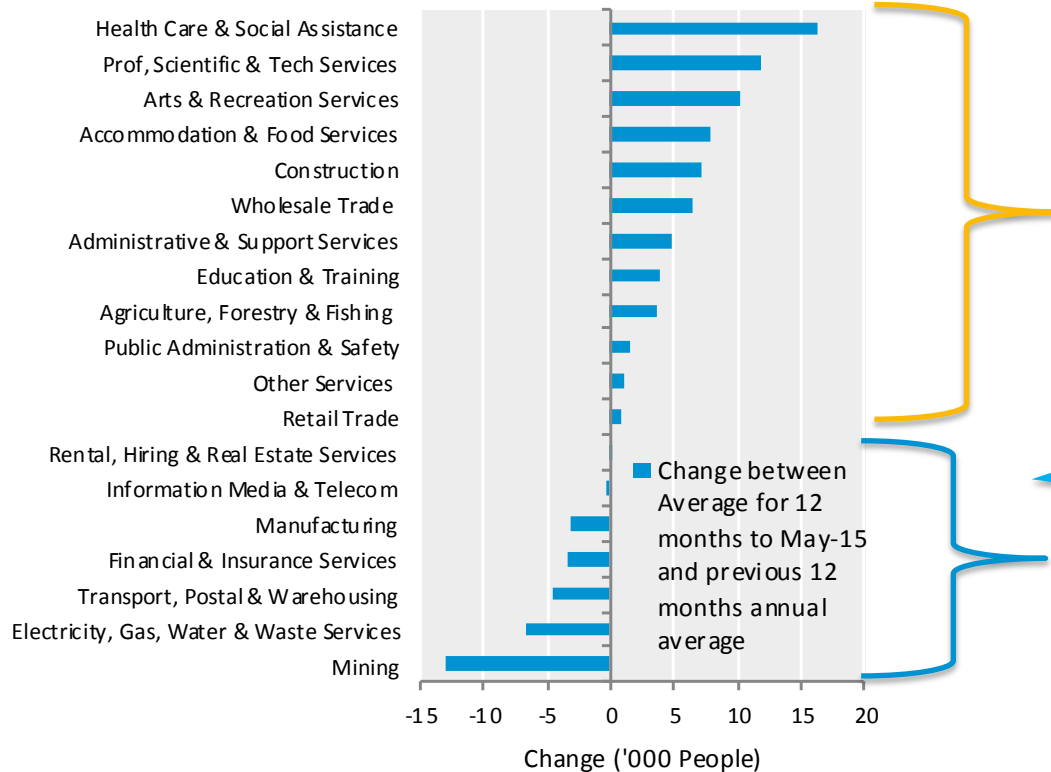
Source: Urbis, ABS

Despite the slowdown in mining employment WA employment growth has remained surprisingly robust and is second only to Melbourne.

Whilst Mining is Down Other Sectors are Growing

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WA Employment Growth by Industry



The Winners
Employment Growth Higher in 12 months to May 2015
475,689 jobs up in 12 industries which account for 77% of WA Employment

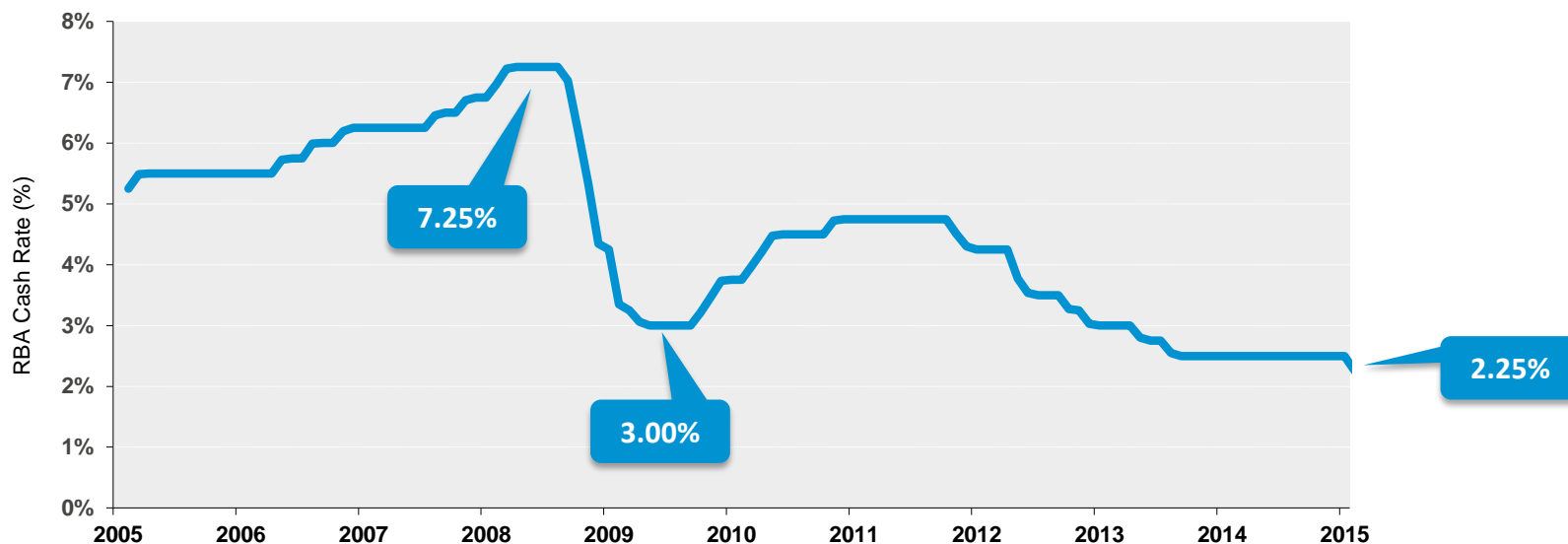
The Losers
Employment Growth Higher in 12 months to May 2015
-30,591 jobs lost in 6 industries which account for 23% of WA Employment

Low Interest Rates are Assisting to Drive Activity

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RBA Cash Rate

FROM FEBRUARY 2005 TO 2015

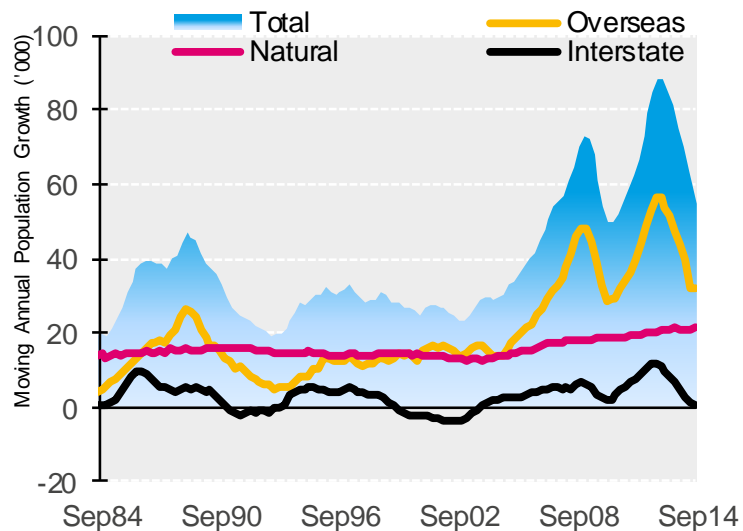


Source : RBA

POPULATION GROWTH CONTINUES TO BE HIGH

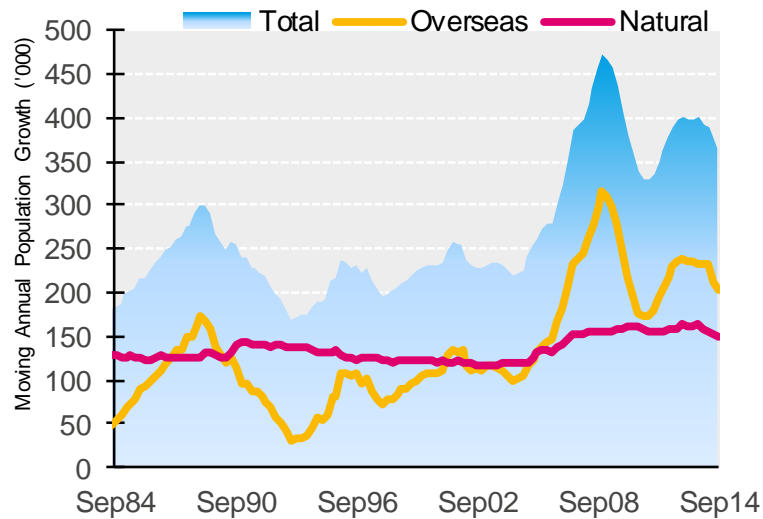
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WA Population Growth



Source: Urbis, ABS

National Population Growth



Source: Urbis, ABS

Population growth continues to be at high levels.

Average for 1982 to 2005, 30,00 per annum.

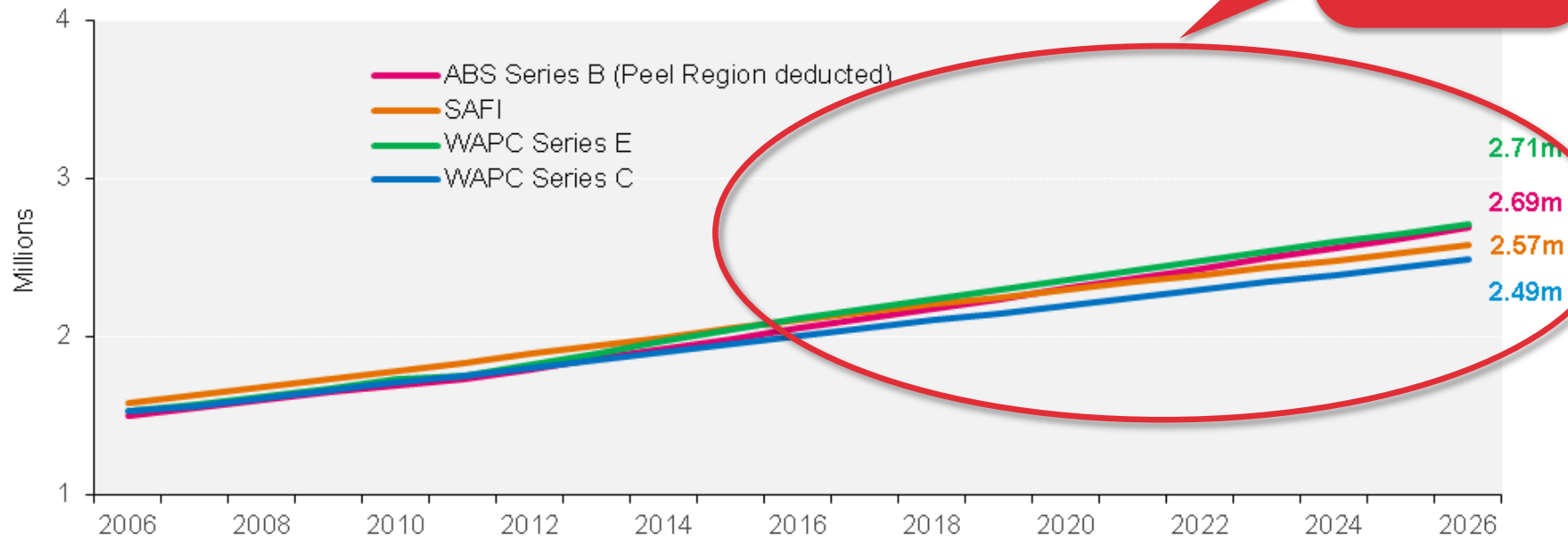
Peak 88,00 in 2012.

54,000 people for 12 months to September 2014.

The Next 10 Years will See an Additional Increase of around 500k (25%) People

Population Growth Comparisons

POPULATION GROWTH TO 2026





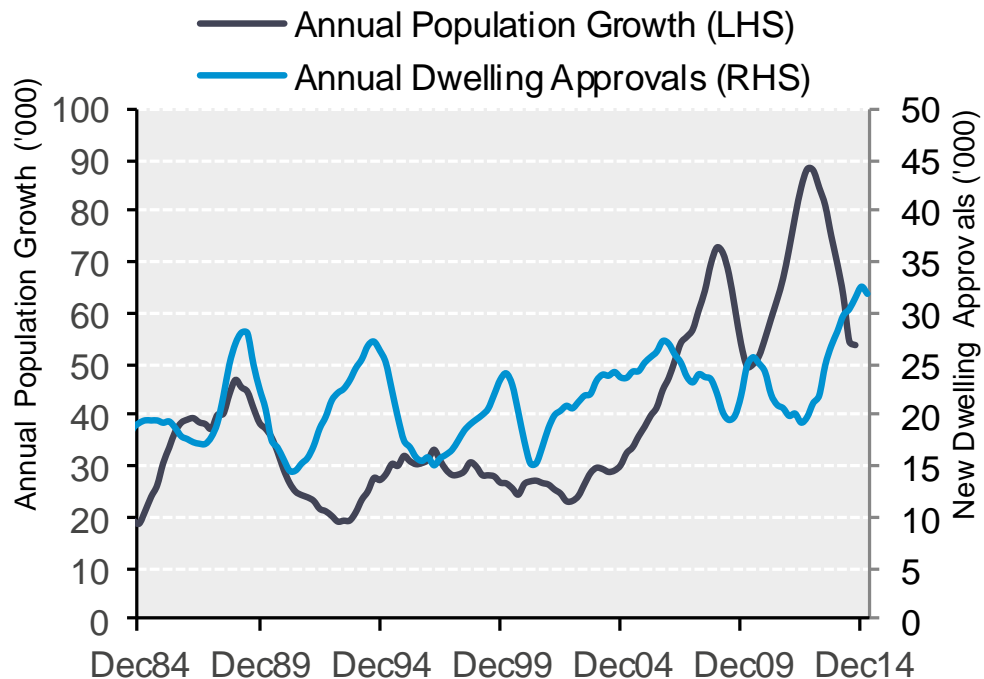
RESIDENTIAL MARKET CYCLE

Record Population Growth Led to Record Dwelling Approvals

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WA Population Growth and New Dwelling Approvals

ANNUAL POPULATION GROWTH AND ANNUAL NEW DWELLING APPROVALS



Source: Urbis, ABS

Dwelling Approvals
31,500 – Jan 2015

10 yr av 23,000

Population Growth
54,400 – June 2014

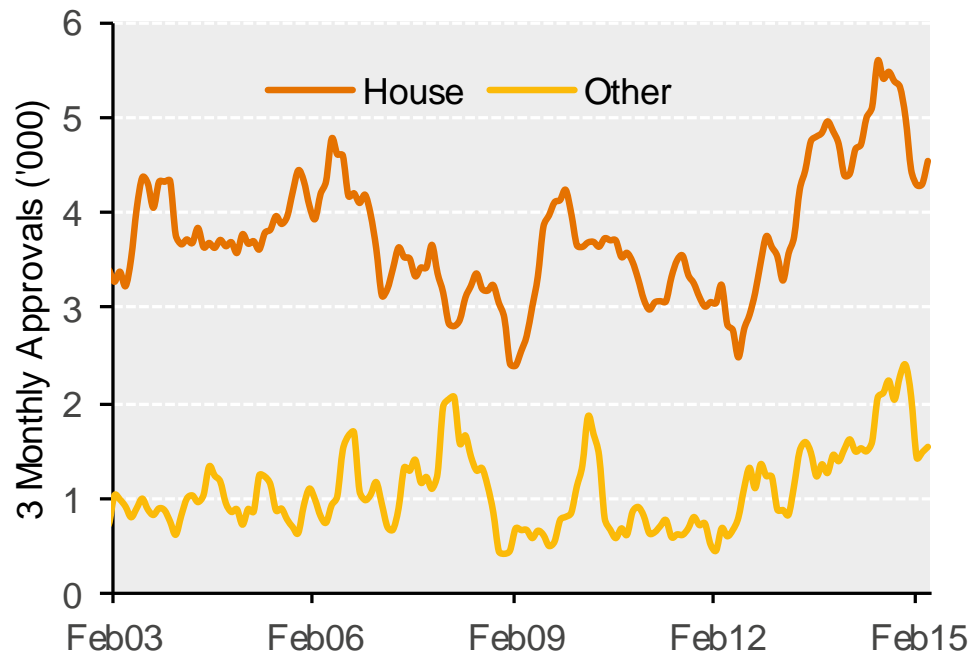
10 yr av 58,600

Dwelling Approvals Have Started to Slow

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Perth Dwelling Approvals

3 MONTH DWELLING APPROVALS



Source: Urbis, ABS

House
19% fall from
peak in July 2014

This cycle peak
14% higher than
May 2006 peak

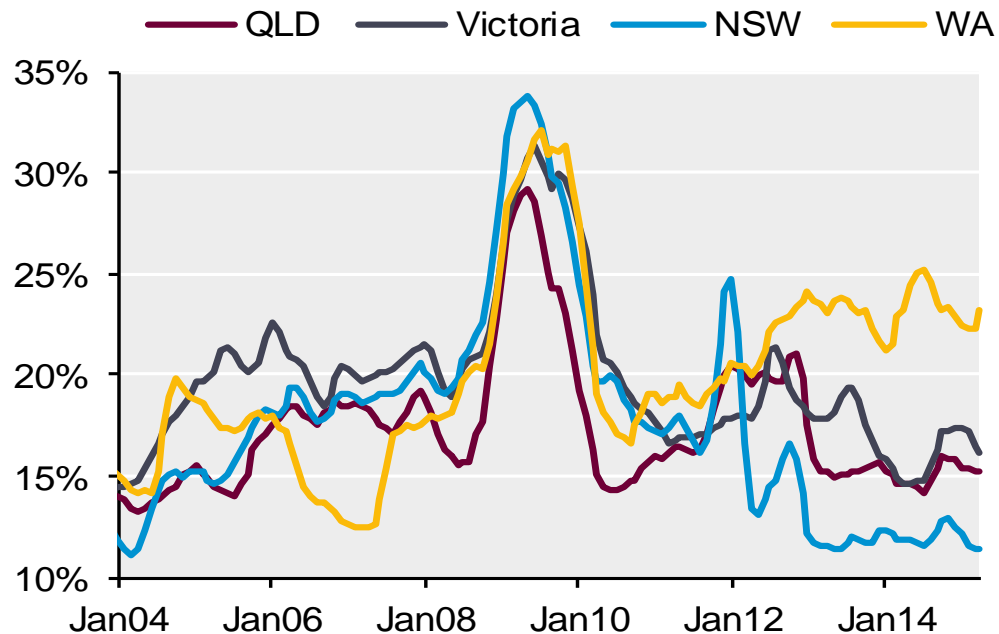
Other
36% fall from
peak in Sept
2014

This cycle peak
7% higher than
March 2008 peak

STRONG FIRST HOME BUYER ACTIVITY IN WA

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First Home Buyers As % Of Owner Occ. Finance



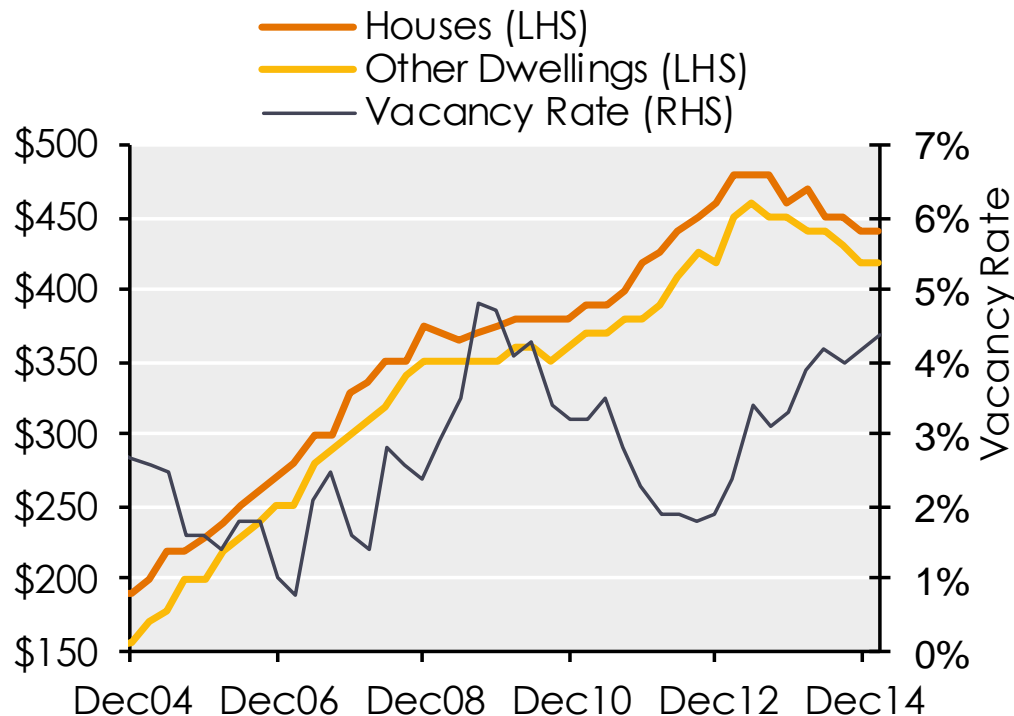
Source: ABS, Urbis

- First home buyer activity is very high in WA and this is being seen in the apartment and housing market.

VACANCY UP AND RENTS FALLING

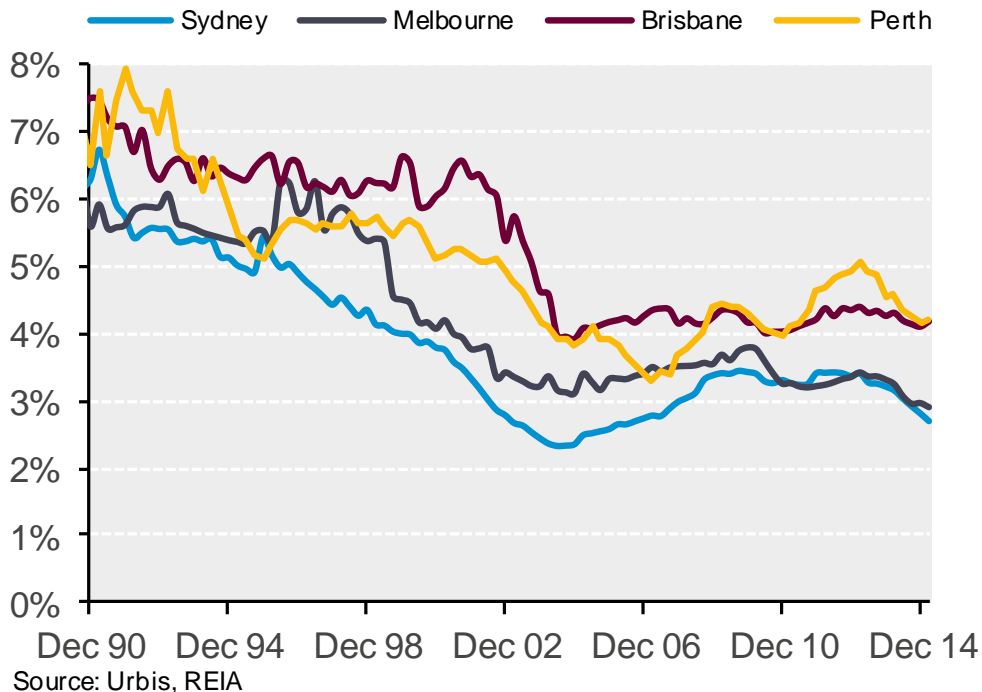
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Vacancy Rate and Rents



- First home buyer activity is seeing a rise in the vacancy rate and fall in rents.
- Rents falling from a high level.

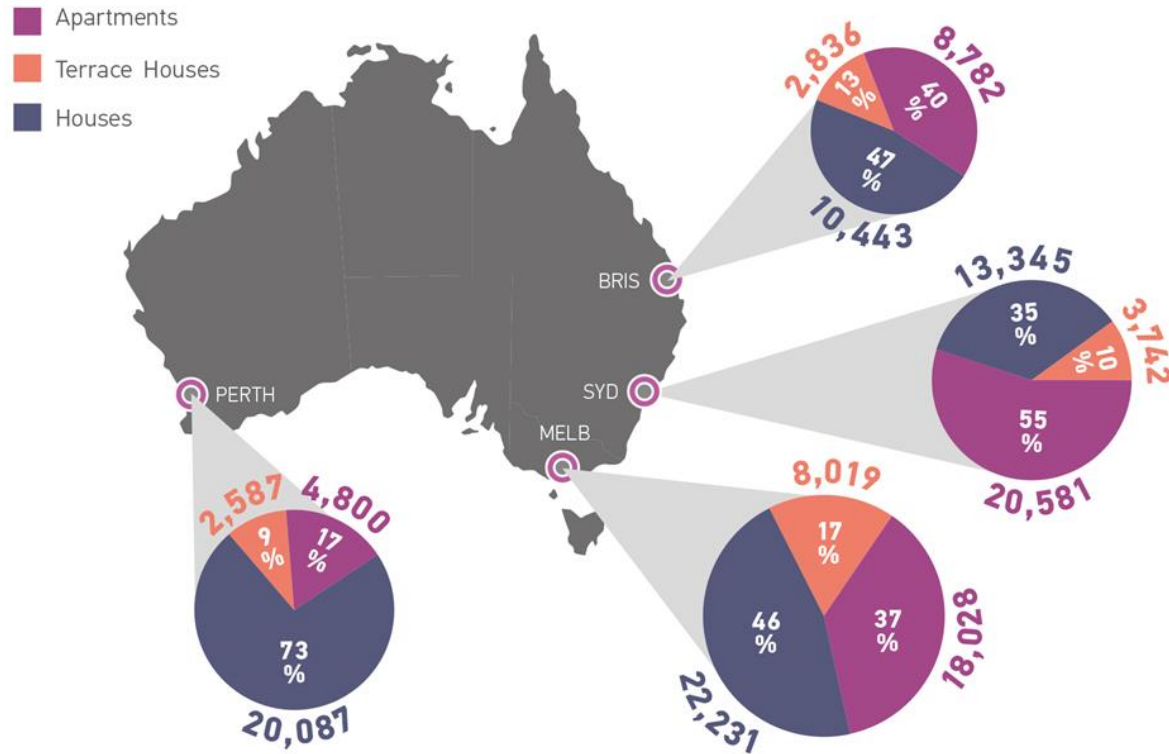
Gross Rental Yields for Housing



- Yields have softened but still high compared to national levels.
- Compared to 3 year term deposit of 2.7% housing investment is still attractive for investors.

Size of the Dwelling Market Will Get Smaller but Apartment Share Will Increase

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Source: Urbis, ABS Building Approvals

Source: Urbis, ABS Dwelling Approvals for 2014

Apartment Market Q1 2015 Breakdown

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1ST QTR 2015

104
SURVEYS

125
MONITORED

EQUATING TO

644

SALES IN
1ST QTR 2015

10%

SALES TO FIRB
PURCHASERS

NUMBER OF
SALES BY
PRECINCT

113

IC

INNER
CITY

76

FE

FRINGE
EAST

56

NW

FRINGE
NORTHWEST

90

FS

FRINGE
SOUTH

62

SC

SOUTHERN
COASTAL

36

WS

WESTERN
SUBURBS

18

S

SOUTHERN

193

O

OTHER

COMMERCIAL MARKET CYCLE

The background features a complex 3D geometric pattern of overlapping cubes and rectangular blocks. The structure is illuminated with a gradient of colors, transitioning from deep blue and purple on the left to a bright green on the right. The lighting creates strong highlights and shadows, giving the structure a sense of depth and volume. The overall aesthetic is modern and technological.

- WA economy slowing. Extent of slowdown yet to be seen
- Job growth still positive
- WA population growth continuing but at lower levels
- Low interest rates, assisting in buffering the property market and starting to improve business conditions in non mining sectors
- Lack of confidence is a key issue and unlikely to improve quickly
- Dwelling approvals hit new peak and now slowing
- Residential markets back to a normal competitive market
- Office over supplied and peak vacancy not yet seen
- Hotel market supply could be an issue



Thank You

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