

Perth

IN BRIEF

- Both the house and unit market have recorded significantly lower sales over the past twelve months with 29.6% less house sales and 21.6% less unit sales.
- The September 2010 half year period registered a median house price of \$490,000 through 12,283 transactions.
- The September 2010 half year period registered a median unit price of \$420,000 through 2,681 transactions.

Scope

The following Property Watch investigates the house and unit markets comprising the Perth Statistical Division (SD). This report highlights trends influencing these property markets and the factors contributing to its competitive environment.

Area Characteristics

Perth is the state capital of Western Australia and is the fourth most populous city in Australia. The metropolitan area of Perth has evolved around the Swan River, where the central business district and most established suburbs of Perth are located. However, a significant portion of Perth's premium premium real estate markets are located along the coast line. Notably, this city currently holds the prestigious title of eighth place in The Economist's 2011 list of the World's Most Liveable Cities. The local economy is heavily leveraged off the Western Australia mining boom which has helped facilitate a significant amount of development within the SD. This has seen a great deal of growth within the residential arena, to help cater for significant population growth and growing demand.

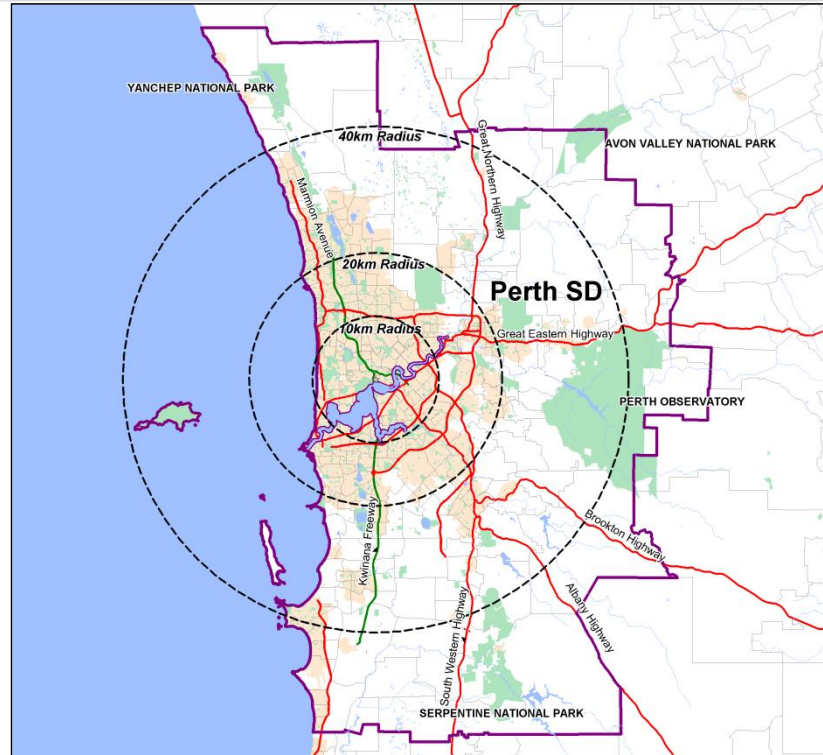
Although geographically isolated on Australia's West coast, Perth is easily accessed by the Perth Airport in the city's east for regional, domestic and international flights. Within the metropolitan area of Perth, there is a high degree of connectivity aided by a nexus of freeways and metropolitan highways. Travelling by public transport is supported by frequent train, bus and ferry services, which are provided by Transperth. Perth's rail network underwent a significant redevelopment and was opened on 23 December 2007. This consisted of a new railway line linking Perth and Mandurah, which doubled the length of Perth's railways.

Demographics

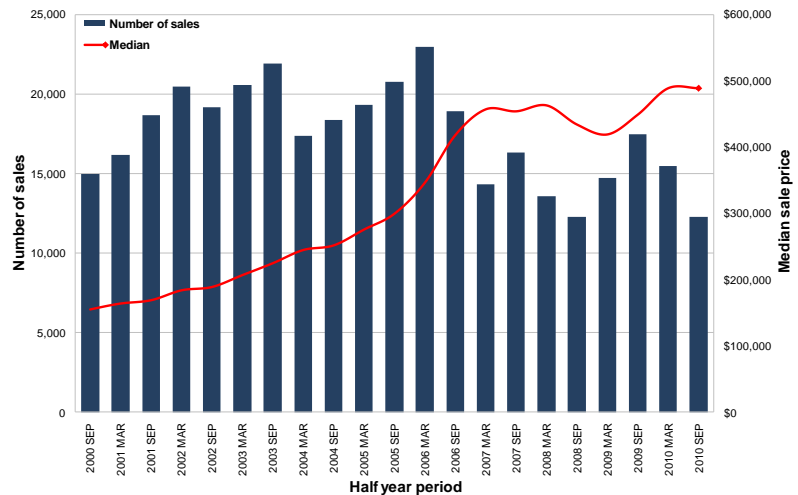
- The Perth SD recorded the second highest population growth in Australia at 2.78%, equating to a population of 1,559,178 residents as at June 2009.
- The majority of houses are family variations accounting for 71.5% of households.
- The dwelling landscape is predominantly houses, which make up 79.8% of the total dwellings.

House Market

Sales activity has been historically low throughout Australia over 2010, following decreased confidence and lack of active buyers in the market. With the household savings rate increasing to 10% of annual net disposable income, this indicates that an uncertainty in the housing market has lead to families opting to save their disposable income and service existing debt, rather than making further large financial commitments. The Perth house market is no exception to this trend, exhibiting decreased sales activity over the past 12 months in line with a stabilising median price. However, this shortage of active buyers is fostering investment opportunities as the market has transitioned into a buyer's market.

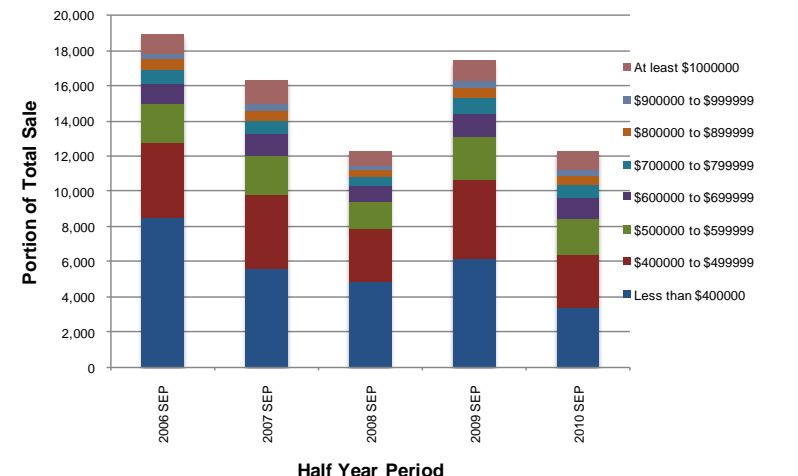


Perth House Sales Cycle



Prepared by PRDnationwide Research. Source: PDS Live

Perth House Price Points



Prepared by PRDnationwide Research. Source: PDS Live

The median house price recorded for the Perth SD over the most recent six months to September 2010 was \$490,000. Over the past 12 months median price has jumped 8.9% or \$40,000. However, this increase is predominately due to a decrease in sales activity transacting in the sub \$500,000 market segment, as opposed to increasing capital values. PRDnationwide Research has undertaken a resale analysis of all houses sold within the six months to September 2010. This has revealed a strong average annual capital growth of 8.1% per annum. This product was held for an average period of around five years.

After a 29.6% decrease in sales from the six months to September 2009, the Perth SD has recorded 12,283 settled transactions over the corresponding 2010 half year period. This registers 3,620 sales under the five year average of 15,834 sales per six month period. The most active suburb within the Perth SD over the September 2009 half year was Canning Vale with 217 sales. This was followed by the suburbs of Thornlie with 176 sales, and Morley with 174 sales. In terms of growth in sales activity, the suburb of Stirling has recorded an increase of 12 sales from the September 2009 half year to reach 78 over the corresponding period in 2010. Gooseberry Hill and Mount Hawthorn also recorded increases of seven sales each to register 31 and 70 transactions over the September 2010 half year. An investigation into the price point distributions has revealed that the sub \$500,000 market segment has absorbed the majority of the sales softening accounting for 82.6% of the decrease in activity.

Unit Market

Similar to houses, the Perth unit market has shifted from an incentive driven period of strong sales activity, to one of its softest periods in ten years. This has occurred in line with falling buyer confidence over 2010, which led to potential purchasers sitting on their hands and waiting for an uncertain market to unveil itself. However the reality of the market is that from mid 2010, property has swung to favour the buyer. Rising interest rates (which remain historically low), stricter lending criteria and strong listing activity have culminated to provide a strong stand point for buyers. This has led to discounted pricing from vendors over the 2010 September half year as vendor expectations have had to drop to meet the market.

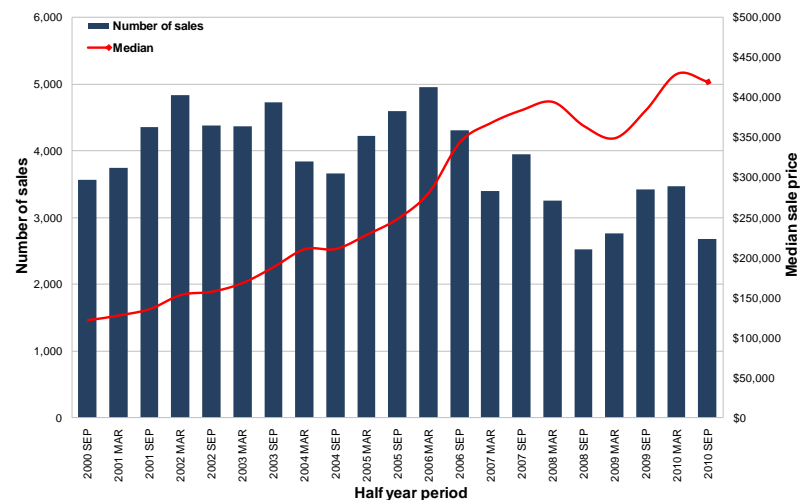
The median unit price recorded for the Perth SD over the most recent six months to September 2010 was \$420,000. Over the past 12 months median price has jumped 9.1% or \$35,000, taking median price to a peak. However, this is also the result of a decrease in sales activity transacting in the sub \$500,000 market segment as first home buyers exited the market. PRDnationwide Research has undertaken a resale analysis of all units sold within the six months to September 2010. This has revealed a strong average annual capital growth of 8.0% per annum. Interestingly, units had a longer holding period than houses at just less than six years.

Perth units have recorded a smaller softening than the house market, with a 21.6% (742 sales) decrease in sales from the six months to September 2009. This equated to 2,681 settled transactions over the corresponding 2010 half year period. This registers 789 sales under the five year average of 3,470 sales per six month period. The most active suburbs within the Perth SD were mostly located close to the Perth CBD. The highest volume of sales transacted within East Perth with 186 sales, followed by Perth and Mayland's with 150 sales and 93 sales respectively. East Perth and Perth also recorded the strongest increases in sales activity, registering 120 sales more than the corresponding period in 2009. Perth and West Perth also bucked the trend to recorded an additional 73 and 22 respectively. In terms of the price point distributions, the sub \$500,000 market segment has also contracted significantly by 780 sales, while sales above this mark have recorded strong increases.

Prepared by PRDnationwide Research. Source: RP Data & PDS and the ABS. For further details contact: Josh Brown, Research Analyst, Ph: (07) 3026 3357 or Email: joshbrown@prd.com.au.

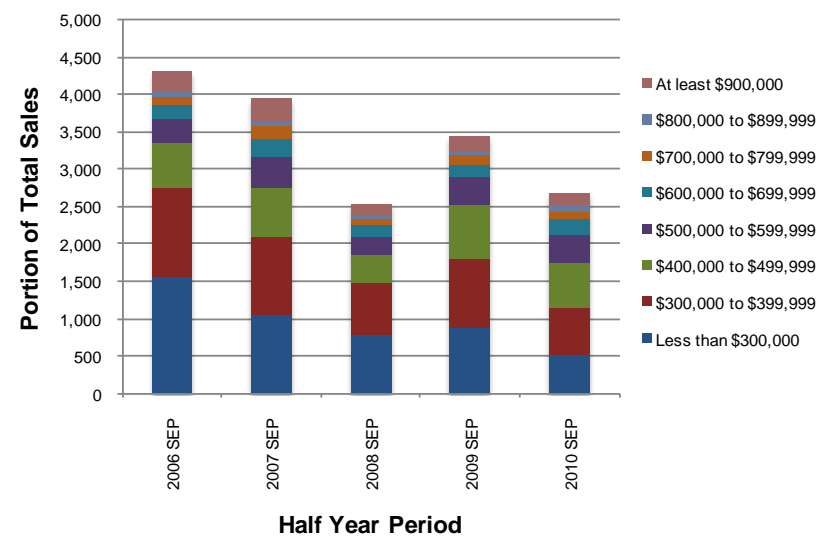
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Perth Unit Sales Cycle



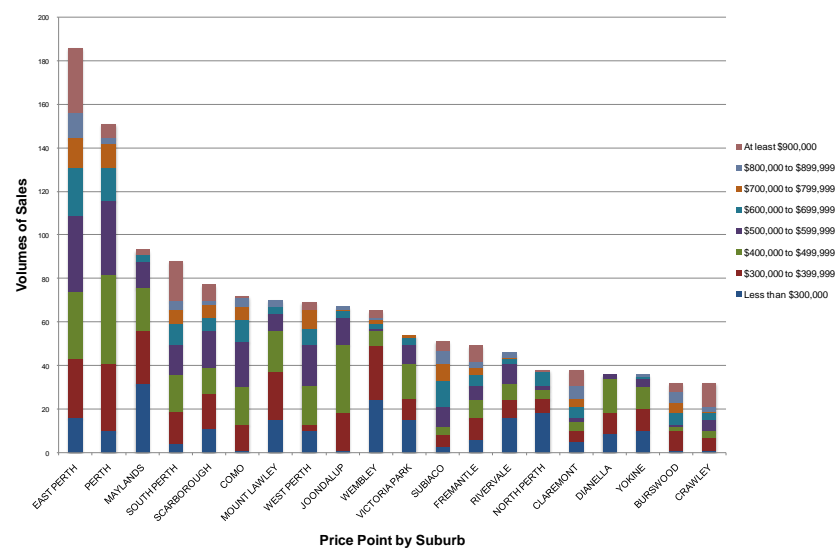
Prepared by PRDnationwide Research. Source: PDS Live

Perth Unit Price Points



Prepared by PRDnationwide Research. Source: PDS Live

Price Points of Top 20 Suburbs by Unit Sales



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