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Triannual Property Review

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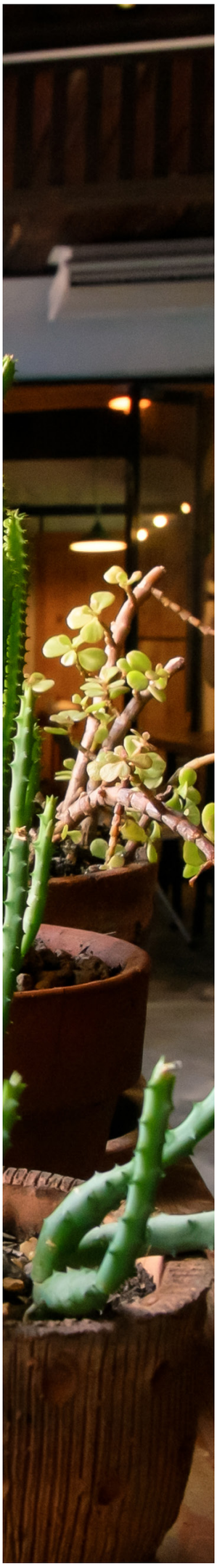


Executive Summary

Over the course of the last 30 years, Australia has seen a divergence away from the traditional income generators or contributors to overall Gross Domestic Product (GDP). Historically, certain areas had specialisations in particular industries; for example, agriculture and mining in regional areas, manufacturing in the suburbs and knowledge-intensive services in the central business districts (CBDs) of our major capital cities. These competitive advantages have been reflected in the various economic performances of the major cities and is shown in the table below.

According to leading economists SGS, *"Examining economic statistics at the national level would have provided a reasonable insight into the conditions across the whole of Australia. However, the economic evolution over the past 30 years has resulted in a far more complex picture. The rise of knowledge-intensive services, differentials in government policy and investment, the end of the mining boom, the decline in manufacturing, and other factors have created a patchwork economy."*

Looking ahead, all capital cities are faced with several challenges to ensure prolonged and sustainable economic growth. Some of these challenges include the provision of infrastructure and amenity to support a rapidly growing population, the development of industry and a more broad-based economy, and to promote sustained job growth.

These issues have been identified and targeted as key priority areas in the Federal Budget which was handed down on May 8, 2018.

With this in mind, we will now take a closer look at the performance of the individual capital cities as well as the outlook ahead.

TABLE 1: GROSS DOMESTIC PRODUCT – VOLUME MEASURE 2016-17

Region	GDP ($ Million)	Annual Growth Rate (15-16 to 16-17)	Average Annual Growth Rate (06-07 to 16-17)	Share of GDP (16-17)
Sydney	$417,874	3.3%	2.7%	24.7%
Regional NSW	$139,987	1.5%	1.6%	8.3%
Melbourne	$324,925	2.8%	2.7%	19.2%
Regional Victoria	$74,084	5.8%	1.3%	4.4%
Brisbane	$157,501	1.4%	2.5%	9.3%
Regional QLD	$151,208	2.2%	2.3%	8.9%
Adelaide	$77,902	0.9%	1.7%	4.6%
Regional SA	$23,889	6.6%	2.0%	1.4%
Perth	$141,251	-3.5%	3.5%	8.3%
Regional WA	$91,901	-1.4%	4.7%	5.4%
Tasmania	$28,577	1.1%	1.5%	1.7%
Northern Territory	$25,427	3.9%	3.4%	1.5%
Canberra	$37,566	4.6%	3.2%	2.2%
Australia	**$1,692,092**	**2.0%**	**2.6%**	**100%**

Source: Australian National Accounts: State Accounts, Cat. No. 5220.0 and SGS Economics & Planning

Sydney

Over the last 4 years, Sydney has far outperformed the rest of the country and has been the largest contributor to overall GDP. Looking at the above graph, Sydney is shown to achieve a growth rate of 3.9% between 2015-16; the highest growth rate since 1999-2000 (back when Sydney hosted the Olympic Games).

The result also represents a significant turnaround following the events of the Global Financial Crisis in 2009, which had a substantially detrimental impact on Sydney and more specifically, the Finance and Insurance Sector as a contributor to GSP/GDP.

More recently, the Sydney housing market continues to exhibit signs of a cooling market with auction learance rates declining to 58% as at April 2018 . Similarly, median house prices have declined from $1,179,519 in December 2017 to $1,150,357 in March 2018. This represents a 2% decline in Median House prices in the space of one financial quarter .

Tougher lending restrictions have ensued from APRA prudential measures (aimed at capping the growth of investor loans); resulting in stricter lending conditions being imposed by Deposit Taking Institutions. As a direct consequence, we have seen a marked decline in investor activity. In addition to this, real wage growth has been weak with affordability currently sitting at 43%, representing the worst levels seen in a decade.

Since 2008, there has been strong underlying demand dwellings spurred on by the undersupply of dwellings however, there are strong signs that the environment is rapidly changing. More recently, pressures in the market are easing as record levels of new dwelling supply come onstream and erode the dwelling deficiency.

In light of the above, there is growing evidence to suggest that the Sydney market has now moved past its peak as price growth begins to taper off.

Consequently, it is anticipated that dwelling construction as a contributor to GSP and GDP will experience a contraction however, this will likely be offset by non- residential construction on the back of record infrastructure spending.

We are already seeing evidence of this with the year- on- year contribution to GDP growth declining for both construction as well as rental/hiring and real estate services.

Fortunately, Sydney economic growth is broad based across a range of industries. This can be observed in the table below:

Corelogic- New South Wales Real estate auction results for Monday 30 April 2018

https://www.domain.com.au/product/state-of-the-market-report-march/

CONTRIBUTION TO SYDNEY GDP GROWTH – VOLUME MEASURE

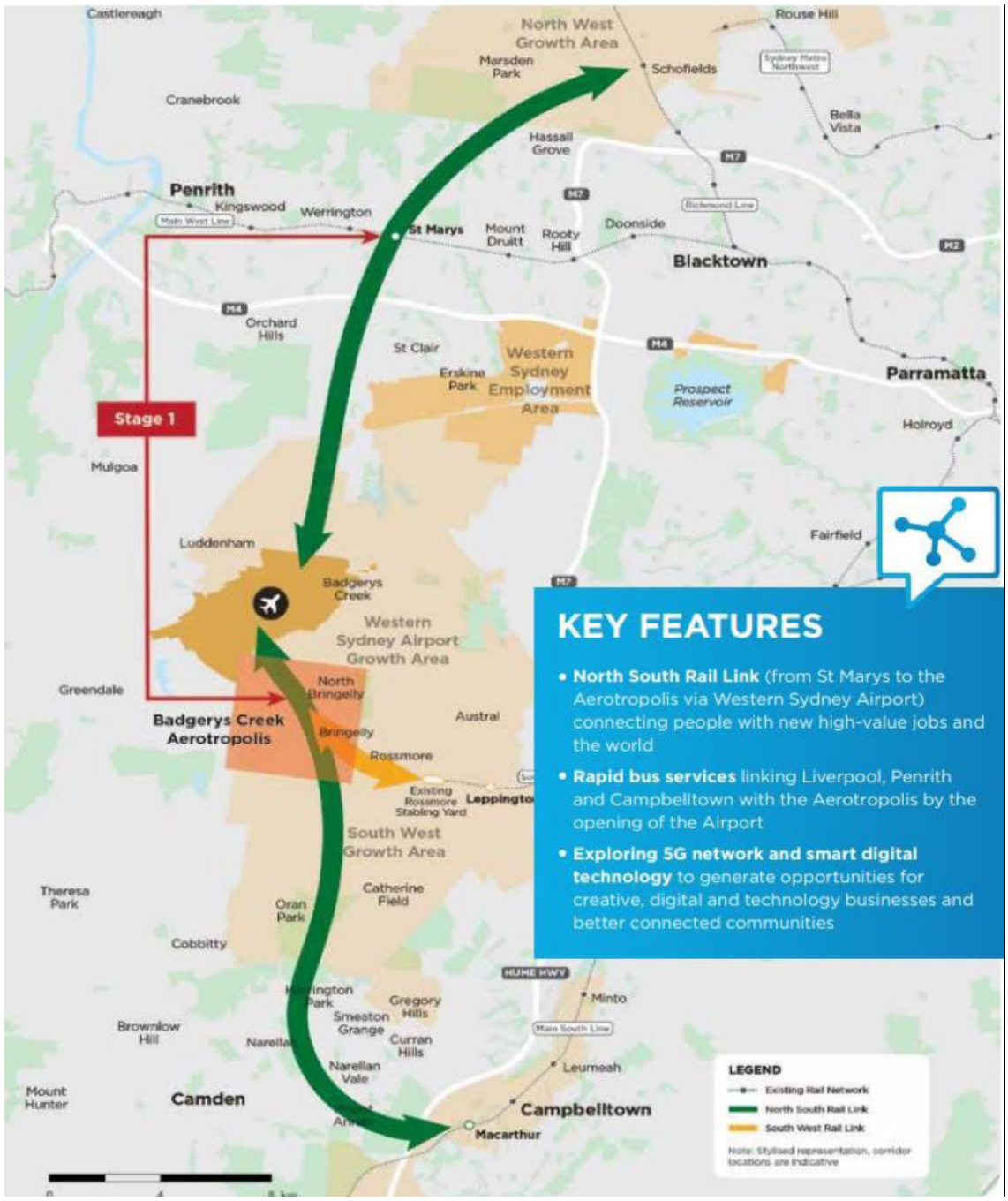
Industry	2012-13	2013-14	2014-15	2015-16	2016-17
Agriculture, forestry & fishing	0.0%	-0.1%	0.0%	0.1%	-0.1%
Mining	0.1%	0.0%	0.0%	0.0%	0.0%
Manufacturing	-0.1%	0.0%	-0.3%	0.1%	0.2%
Electricity, gas, water & waste	0.0%	-0.1%	-0.1%	-0.1%	0.0%
Construction	0.2%	0.2%	0.3%	0.4%	0.1%
Wholesale trade	0.0%	0.0%	0.3%	0.2%	0.3%
Retail trade	0.1%	0.1%	0.3%	0.2%	0.0%
Accommodation & food	-0.1%	0.0%	0.1%	0.1%	0.2%
Transport, postal & warehousing	0.1%	0.0%	0.0%	0.2%	0.0%
Information media & telecommunications	-0.1%	0.3%	0.3%	0.3%	0.3%
Financial & insurance	0.7%	0.5%	0.6%	0.5%	0.7%
Rental, hiring & real estate	0.4%	0.2%	0.4%	0.5%	0.2%
Professional, scientific & technical	0.3%	0.2%	0.6%	0.0%	0.8%
Administrative & support	-0.1%	0.1%	0.2%	0.1%	0.0%
Public administration & safety	0.2%	0.3%	0.0%	0.2%	0.0%
Education & training	0.0%	0.0%	0.2%	0.2%	0.1%
Health care & social assistance	0.1%	0.3%	0.1%	0.1%	0.3%
Arts & recreation	0.1%	0.1%	-0.1%	0.0%	0.0%
Other services	-0.1%	0.3%	0.0%	-0.1%	0.0%
Ownership of dwellings	0.1%	0.1%	0.1%	0.3%	0.3%
Taxes less subsidies on products	0.2%	0.2%	0.2%	0.3%	0.0%
Statistical Discrepancy	-0.1%	0.2%	0.1%	0.1%	-0.3%
Gross City Product	**2.1%**	**2.9%**	**3.6%**	**3.9%**	**3.3%**

Source: SGS Economics & Planning

Over the 2016/17 period, Professional services (0.8 percentage points), Financial & Insurance Services (0.7 percentage points) and Wholesale Trade (0.3 percentage points) were the largest contributors to growth. Health Care, Real Estate Services, Media & Telecommunications and Manufacturing contributed between 0.2 and 0.3 percentage points.

With the lion's share of the NSW state funded capital expenditure program having been set aside for a wide range of public transport projects located predominately within the Greater Sydney catchment, it is it anticipated that this will continue to generate economic activity for the coming years.

The recently announced Western Sydney City Deal, also commits to delivering the first stage of the North South Rail Link from St Marys to Western Sydney Airport in time for its opening in 2026.



Whilst Sydney's economy will continue to benefit from substantial investment in infrastructure projects, housing affordability will continue to remain a challenge in the current climate of high household indebtedness and the absence of real wage growth. Furthermore, the likelihood of more stringent serviceability criteria in the wake of the Royal Commission into banking is all but a certainty- impeding both investor and owner occupier home purchases.

The impact of this will likely stymy upward pressure on housing prices for the medium term. Consequently, the year- on year double digit growth in house prices observed since 2014 appears unlikely.

Comments From the Panel

Terry Rawnsley- SGS Economics and Planning

"Sydney's economy is growing strong. Economic growth is broad based across a range of industries. Sydney's status as a global financial hub and a strong housing market has seen Financial & Insurance Services grow strongly. Housing construction and a pipeline of infrastructure projects have seen the Construction industry grow at record rates "

"The strength of the Sydney economy has also flowed through to the labour market. Sydney's unemployment rate has been trending down for the past three years and is now at 4.5 per cent. This is more than one percentage point lower than the national average"

"The infrastructure spend will underpin the economy, but most of the projects won't be completed and operational for another 12-24 months."

Angie Zigomanis- BIS Oxford Economics

"The performance of the Finance and Insurance sector has been high (compared to other industries) however this is expected to taper off as the housing sector begins to cool"

"Yields in Sydney very low; even relative to low interest rates"

"Recent price growth in Sydney and Melbourne has meant that affordability in both cities is now on par with when affordability was previously at its worst level. The main differences between now and then are stronger population growth and economic conditions in the respective states, which are sustaining prices. Nevertheless, the magnitude of the affordability ratio suggests limited further upside to prices. Moreover, households are likely to be more sensitive to any rises to interest rates."

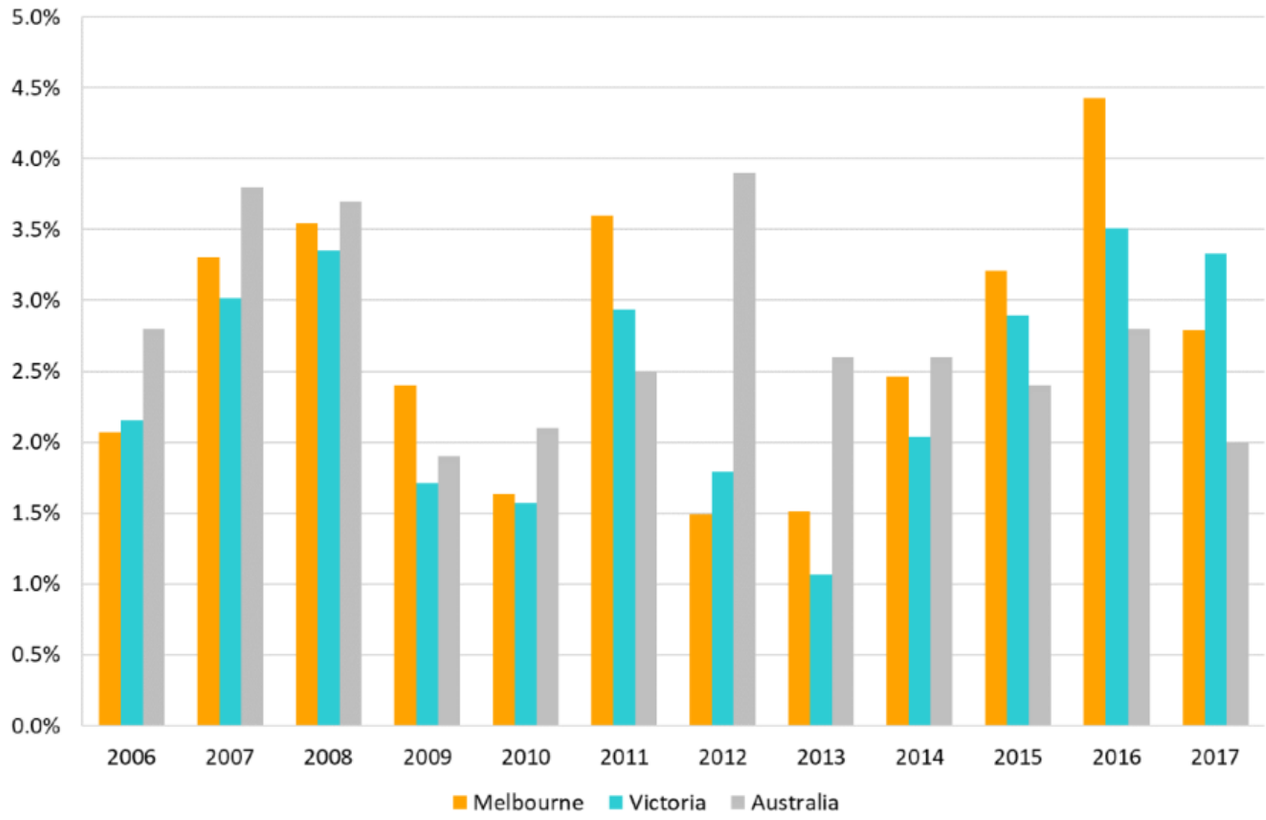
Associate Professor Timothy Fisher-

"What matters is the overall level of economic activity in Sydney as a whole. Sydney is performing well and has good prospects for the medium term"

"affordability levels are at record low levels"

Melbourne

Following Sydney's lead, over the 2015-16 period, Melbourne's GDP grew by an impressive 4.4%; representing the highest growth since 2003-04. Over the 2016-17 year, growth was lower than the previous year (2.8% GDP growth), driven by a decline in the manufacturing sector.



Much like its northern neighbour, much of this economic growth is attributable to the standout performances in the Finance and Insurance and Construction Industries.

This result marks a dramatic transformation away an economy which has been heavily reliant on a declining manufacturing sector; to an economy that is more diversified with significant growth realised in the Professional, Scientific and Technical Services fields between 2011-12, and continuing through to 2012-13.

According to SGS economics "Increased housing supply, a robust economy and affordability advantage over Sydney has resulted in very high and rapid population growth in Melbourne."

Consequently, GDP per capita fell in these three years (2011-12 to 2013-14), as population growth outstripped economic growth.

With a bustling finance/professionals sector and much of the infrastructure projects located within close proximity to the CBD, it comes as no surprise that employment growth is concentrated to these areas.

More recently, the construction Industry has been underpinned by several state government funded infrastructure projects as well as strong residential development. Some of these projects include:

- Level crossing removals
- Melbourne Metro Rail Tunnel
- CityLink – Tulla widening
- E-Class trams and infrastructure
- Early works for West Gate Tunnel Project
- Joan Kirner Women's and Children's Hospital

On review of the Melbourne's infrastructure spending, it can be observed that a total of $14.8 Billion dollars of state government projects were funded in 2016-17. Looking forward, this figure is substantially lower; at 9.2 Billion dollars for 2017-18; making for a total of $14.9 billion dollars.

INFRASTRUCTURE INVESTMENT ($ THOUSAND)

Sector	*Total estimated investment*	*Estimated expenditure to 30.06.17*	*Estimated expenditure 2017-18*	*Remaining expenditure*
General government				
New projects	4 427 870	105 100	1 215 269	3 107 501
Existing projects	24 755 908	7 071 787	4 708 066	7 678 659
Public non-financial corporations				
New projects	9 766 888	54 602	875 395	8 836 891
Existing projects	31 746 082	7 710 606	4 550 722	19 484 754
Total new projects	**14 194 758**	**159 702**	**2 090 664**	**11 944 392**
Total existing projects	**56 501 991**	**14 782 392**	**9 258 788**	**27 163 414**
Total projects	**70 696 749**	**14 942 094**	**11 349 453**	**39 107 806**

Source: Victorian Budget 17/18 Budget Paper no. 4 State Capital Program

With an increase in employment opportunities located close to the CBD, demand for dwellings closer to the city are placing upward pressure on housing prices and having a detrimental impact on housing affordability.

As noted by SGSEP:

"Development of Southbank and Docklands provided the Central Business District with "Brownfields" to accommodate significant levels of new employment and housing. Road projects, such as the Western Ring Road, CityLink and EastLink, and the Regional Rail Link have helped to improve connectivity across the city and opened up new greenfield housing areas"

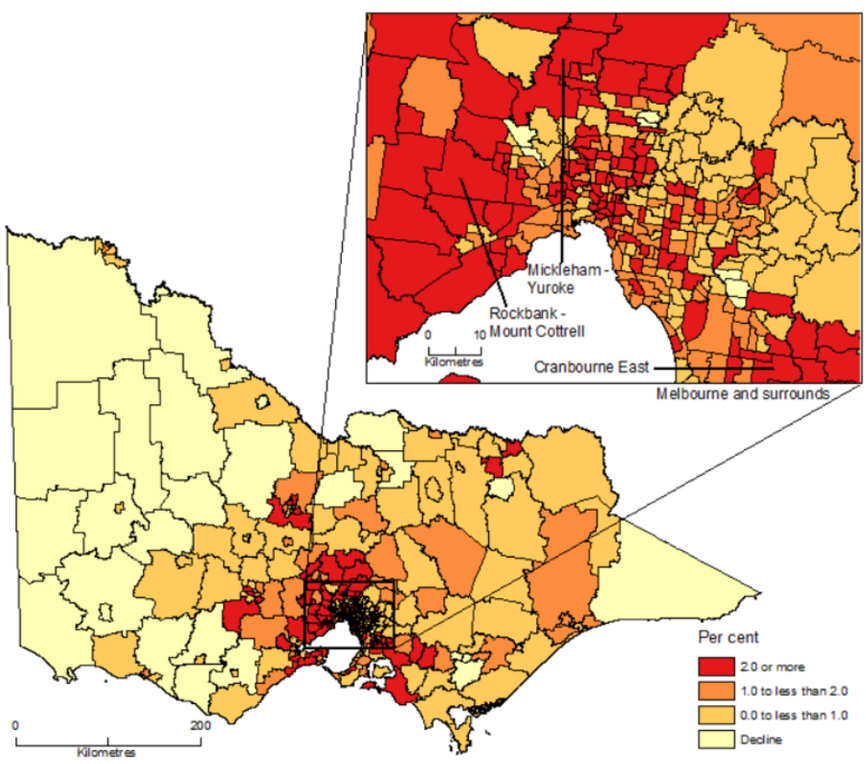
This view is supported by ABS data which shows that there has been strong population growth in outer suburbs. These areas are where large Greenfield subdivisions are taking place and housing prices are more affordable compared to inner and middle ring suburbs.

SA2s WITH LARGEST AND FASTEST POPULATION GROWTH, Victoria

SA2	GCCSA	ERP AT 30 JUNE 2017p no.	POPULATION CHANGE 2016pr-2017p no.	%
		LARGEST GROWTH		
Cranbourne East	Greater Melbourne	34 164	7 338	27.4
Melbourne	Greater Melbourne	46 104	4 631	11.2
Tarneit	Greater Melbourne	39 802	3 270	9.0
Truganina	Greater Melbourne	27 952	2 975	11.9
Mernda	Greater Melbourne	19 708	2 440	14.1
Melton South	Greater Melbourne	26 449	2 212	9.1
Wollert	Greater Melbourne	11 657	2 006	20.8
Craigieburn - West	Greater Melbourne	16 800	1 895	12.7
Beaconsfield - Officer	Greater Melbourne	15 451	1 829	13.4
Grovedale	Rest of Vic	25 564	1 801	7.6
		FASTEST GROWTH		
Mickleham - Yuroke	Greater Melbourne	4 807	1 253	35.3
Rockbank - Mount Cottrell	Greater Melbourne	4 080	897	28.2
Cranbourne East	Greater Melbourne	34 164	7 338	27.4
Wollert	Greater Melbourne	11 657	2 006	20.8
Docklands	Greater Melbourne	13 701	1 757	14.7
Mernda	Greater Melbourne	19 708	2 440	14.1
Beaconsfield - Officer	Greater Melbourne	15 451	1 829	13.4
Point Cook - East	Greater Melbourne	14 545	1 648	12.8
Craigieburn - West	Greater Melbourne	16 800	1 895	12.7
Truganina	Greater Melbourne	27 952	2 975	11.9

Source: ABS- Cat Series 3218.0 - Regional Population Growth, Australia, 2016-17

POPULATION CHANGE BY SA2, Victoria - 2016-17



Whilst there has been substantial population growth in the areas highlighted in the above graphic, the challenge ahead will be providing access to employment nodes (i.e. investment in public transport) as well as a higher level of amenity to these areas.

Whilst Melbourne's economy will continue to benefit from substantial investment in infrastructure projects and strong business confidence supporting sustained job growth in the CBD, housing affordability will continue to remain a challenge in the current climate of high household indebtedness and the absence of real wage growth.

Comments From the Panel

Terry Rawnsley-

"The strength of the economy has resulted in a strong labour market. Melbourne's unemployment rate peaked at 6.9 per cent in September 2014. Over the next two years, the unemployment rate fell to 5.4 per cent. The upwards trend since August 2016 has been driven by an increase in the participation rate. That is, the unemployment rate is being driven up by more people searching for work rather than people losing their jobs."

Angie Zigomanis-

"Infrastructure construction is helping employment. Infrastructure such as level crossing removals will reduce congestion and benefit local areas (and potentially increase frequency of rail services), but it is hard to say how much"

"Recent price growth in Sydney and Melbourne has meant that affordability in both cities is now on par with when affordability was previously at its worst level. The main differences between now and then are stronger population growth and economic conditions in the respective states, which are sustaining prices. Nevertheless, the magnitude of the affordability ratio suggests limited further upside to prices. Moreover, households are likely to be more sensitive to any rises to interest rates."

Don Smith – BCI Economics-

Infrastructure- "There is a substantial number of infrastructure projects already underway; and more to come in the pipeline"

Associate Professor Timothy Fisher-

" "Melbourne units are reported to be more oversupplied than Sydney with a larger stock of "investor grade" (i.e., inferior) recent builds."

"Like Sydney, Melbourne's affordability is at record lows. The potential of rising interest rates over the next few years must be considered when forecasting short term capital growth"

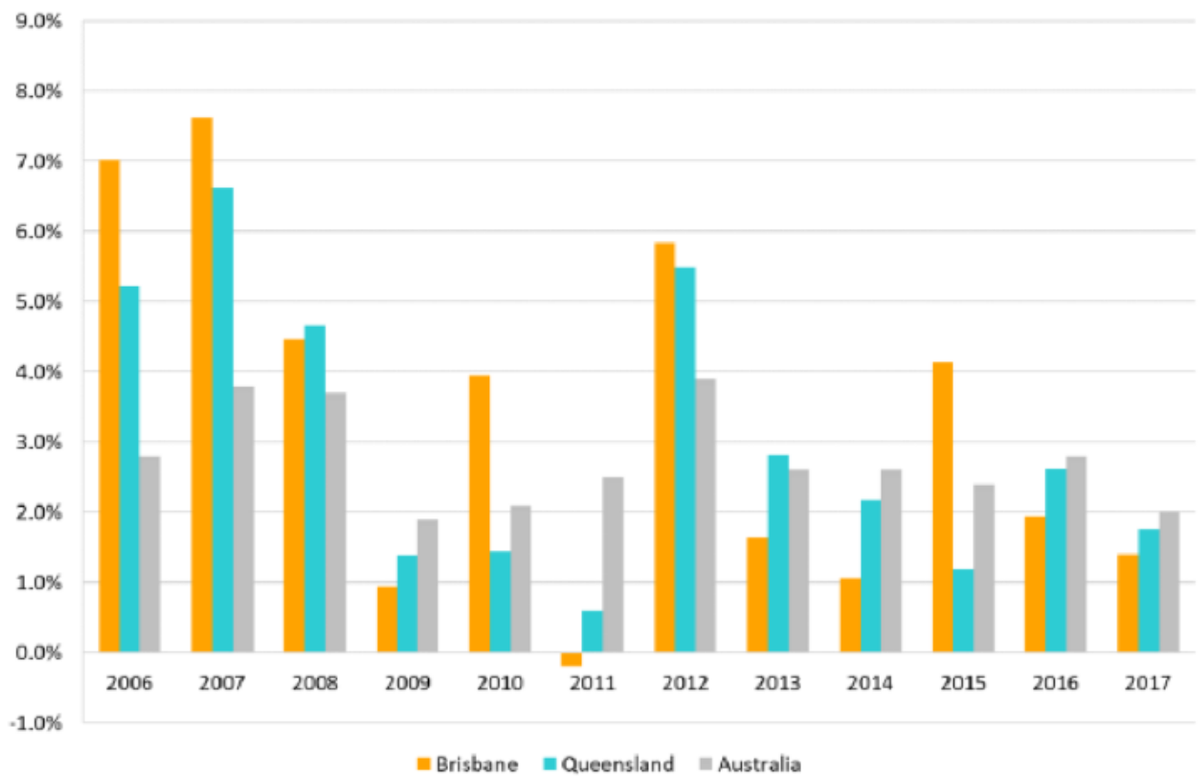
Brisbane

In 2016-17, the Brisbane economy accounted for nearly half of the QLD economy.
With the abundance of natural minerals and resources, the Queensland economy has relied heavily on mining, and the associated population driven economic growth in previous cycles.

In the wake of the GFC in 2009, the Queensland economy slowed; as did the demand for resources and commodities. Consequently, construction activity declined as did GDP output over the period. Whilst the downturn in construction did allow for the build-up of undersupply of dwellings, net migration slowed significantly throughout 2011/12 placing downward pressure on housing prices.

Over the 2012-2013 period, renewed enthusiasm in mining investment projects resulted in an increase in employment opportunities which, in turn lead to an uptick in net migration inflows into the state; resulting in an improvement in underlying demand. Consequently, GDP output rebounded; particularly in the construction sector (Largely on the back of a surge in Development Applications). This is reflected in the graph below.

FIGURE 14: BRISBANE GDP GROWTH – VOLUME MEASURE



Source: Australian National Accounts: State Accounts, Cat. No. 5220.0 and SGS Economics & Planning

SQM research- Accessed May 2018.

Echoing similar trends from the previous financial year, Brisbane's top contributors to GDP growth in 2016-17 were: Professional Services (0.6 percentage points), Health Care (0.6 percentage points), Financial & Insurance services (0.4 percentage points) and Public Administration and Transport (both 0.2 percentage points).

With concerns of a potential oversupply (particularly concentrated on inner city unit dwellings), DA applications have declined significantly from its peak in 2016. In the last 12 months, the bulk of supply of high rise units has reached completion and entered the market.

Whilst, vacancy rates have increased over recent years in Inner Brisbane the data shows that new supply has been largely absorbed at a sustainable rate with vacancy rate for Brisbane being measured at 3% as at April 2018 .

However, this increased vacancy rate over previous years has resulted in some decline in rental rates throughout Inner Brisbane.

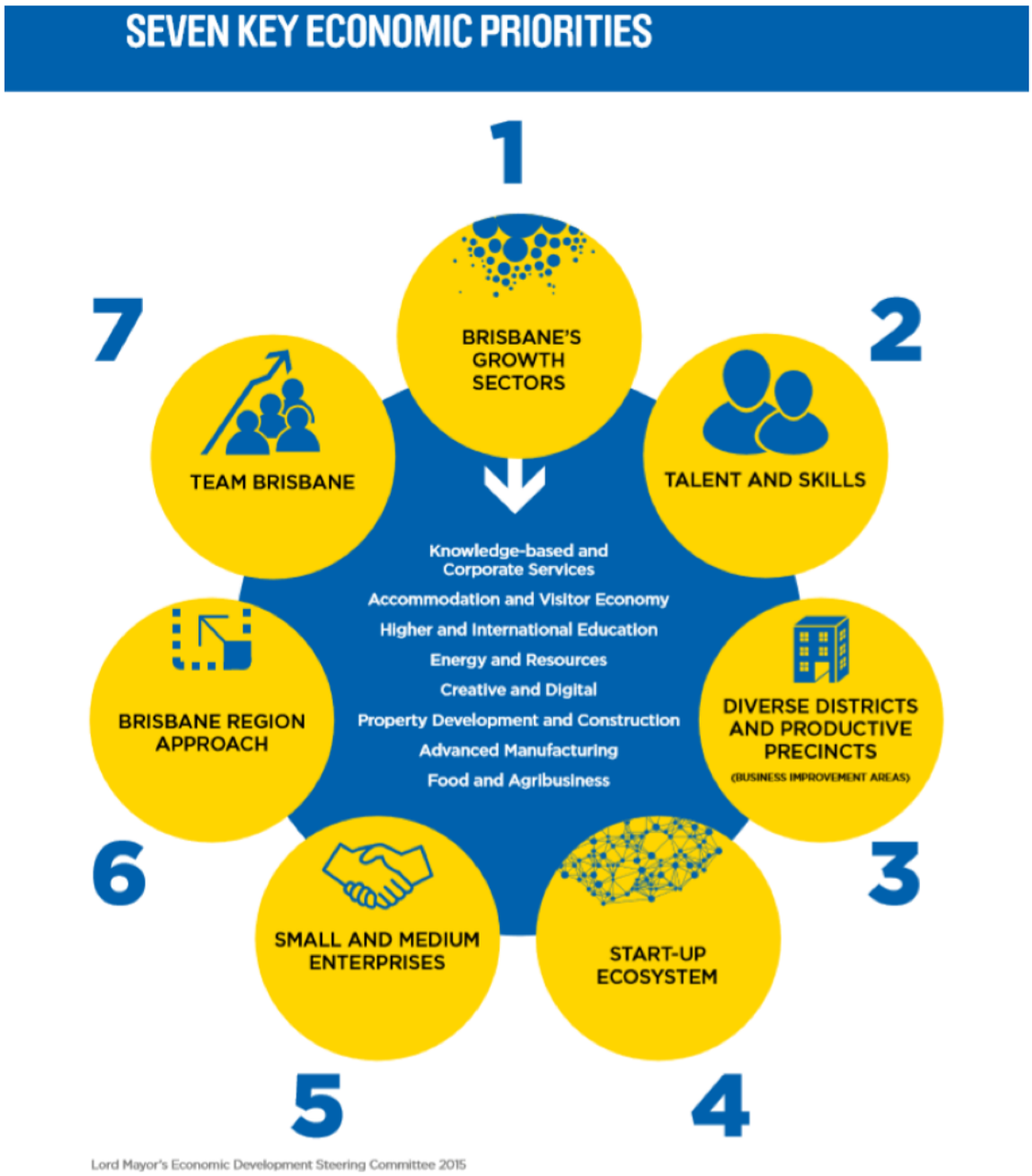
In addition to this, yields remain strong, standing at 5% for units and 3.8% for Houses as at May 2018- far better than Sydney and Melbourne.

Whilst the above is positive news for investors, the Brisbane market also holds another advantage over the Eastern seaboard capitals. Between the 2011 and 2016 censual periods, incomes have increased by 13% and the average mortgage has decreased from $1,950 to $1,861 per month. With approximately 23% of disposable income being spent towards the average mortgage, Brisbane has affordability advantage over its Eastern seaboard counterparts.

As Brisbane continues to transition away from an economy that has been heavily reliant on the mining sector and with the slowdown in residential construction, the economic growth will likely be driven by new infrastructure projects and investment in the public-sector services such as Health and Education.

SQM research- Accessed May 2018.

According to the Brisbane 2022 New World City Action Plan, 7 key priority areas have been identified as drivers of economic growth in the coming years (as shown in the graphic below).



Under this plan, key projects that will form part of this strategy include:

- Queensland Police Service Headquarters upgrade $3.5 million in 2017-18 to refurbish, renew and upgrade the State Police Headquarters building on Roma Street.
- Central Station renewal $20.6 million in2017-18 out of a $43 million total spend to revitalise and modernise Brisbane's Central Station to improve the customer experience and cater for future growth, due for completion in March 2019
- European Train Control System Project – this $634.3 million project will deliver a significant upgrade of the inner-city rail signaling and communication system and is a precursor to the Cross River Rail project. Expressions of interest were called during 2017 with a contract to be awarded in 2018.

- **Cross River Rail-** Responding to the growing transport needs of South East Queensland, the Palaszczuk Government will deliver the $5.409 billion Cross River Rail project. Cross River Rail represents a significant boost to the economy, and will enable vital future connections to Queensland's growing regions.

- **Herston Quarter Redevelopment Project –** this $1.1 billion project will deliver a major health-led, mixed use precinct adjacent to the Royal Brisbane and Women's Hospital. The mixed use development will include a $300 million specialist public health facility, a private hospital, a range of accommodation including aged, retirement and residential living, retail and public areas. Metro North's private development partner, Australian Unity will deliver the project in stages over the next 10 years. Following contractual close in early 2017, site preparation works were underway throughout 2017 to enable construction of the new specialist public health facility on the site of the former Royal Children's Hospital to commence in early 2018.

- **Queensland Art Gallery exhibitions and critical asset replacement** $3.8million in 2017-18 out of a $14.3 million total spend to secure blockbuster and major exhibitions, and to update and replace critical plant and equipment. Delivered in partnership with the private sector.

- **Sciencentre redevelopment** $6 million in 2017-18out of a $11 million total spend to transform the Sciencentre at the Queensland Museum into a cutting edge interactive hub for science, technology, engineering and mathematics.

- **World Science Festival Brisbane 2018** $3.5 million in 2017-18 to deliver the World Science Festival Brisbane 2018, an annual week-long celebration creating a fusion of science and art.

- **Cultural Precinct critical infrastructure upgrade** $6 million in 2017-18out of a $22.9 million total spend to renew and replace critical infrastructure items across the Cultural Precinct, Brisbane, including power supply, generators, climate control, and water systems. Part of the State Infrastructure Plan.

- **Lady Cilento Children's Hospital** $10 million in 2017-18 out of a $1.43 billion total spend to undertake _ finalising works following the completion of the Lady Cilento Children's Hospital, a new 359 bed specialist children's hospital adjacent to the Mater Hospital $8.7 million ($68.2 million over four years) to establish a new Adolescent Extended Treatment Facility at **The Prince Charles Hospital,** two new adolescents Step Up Step Down units in Brisbane, and refurbishment of two adolescent Day Program spaces at Logan and the Gold Coast

Comments From the Panel

Terry Rawnsley- SGS Economics

"Brisbane's economy is building momentum following the end of the mining boom."

"Brisbane public infrastructure projects are expected to add value to the economy in 18-24 months as well as private sector investment"

"In the current market Melbourne and Sydney residents have the opportunity to sell their homes and buy a bigger and better house in Brisbane and still have a few hundred thousand left over. This is an attractive proposition which will become more popular as Sydney and Melbourne's economies grow."

Assc Prof Timothy Fisher-

"The end of the mining boom has also affected Brisbane- Population growth has been weaker than Sydney and Melbourne"

Rental Yields- "will remain (sic) neutral without a rise in economic growth for Queensland"

Don Smith- BCI Economics:

"Cross River Rail, investment in hospitals and schools, and solar farms will have a positive impact on the overall performance of the Brisbane Economy"

Angie Zigomanis- BIS Oxford Economics

"Net overseas and interstate migration inflows are rising and have picked up faster than we have expected"

"With construction finance becoming more difficult to obtain and restrictions on the number of permittable FIRB purchases within a building, there is growing anecdotal evidence from vendors that a high percentage of projects will not get off the ground in the next 2 years"

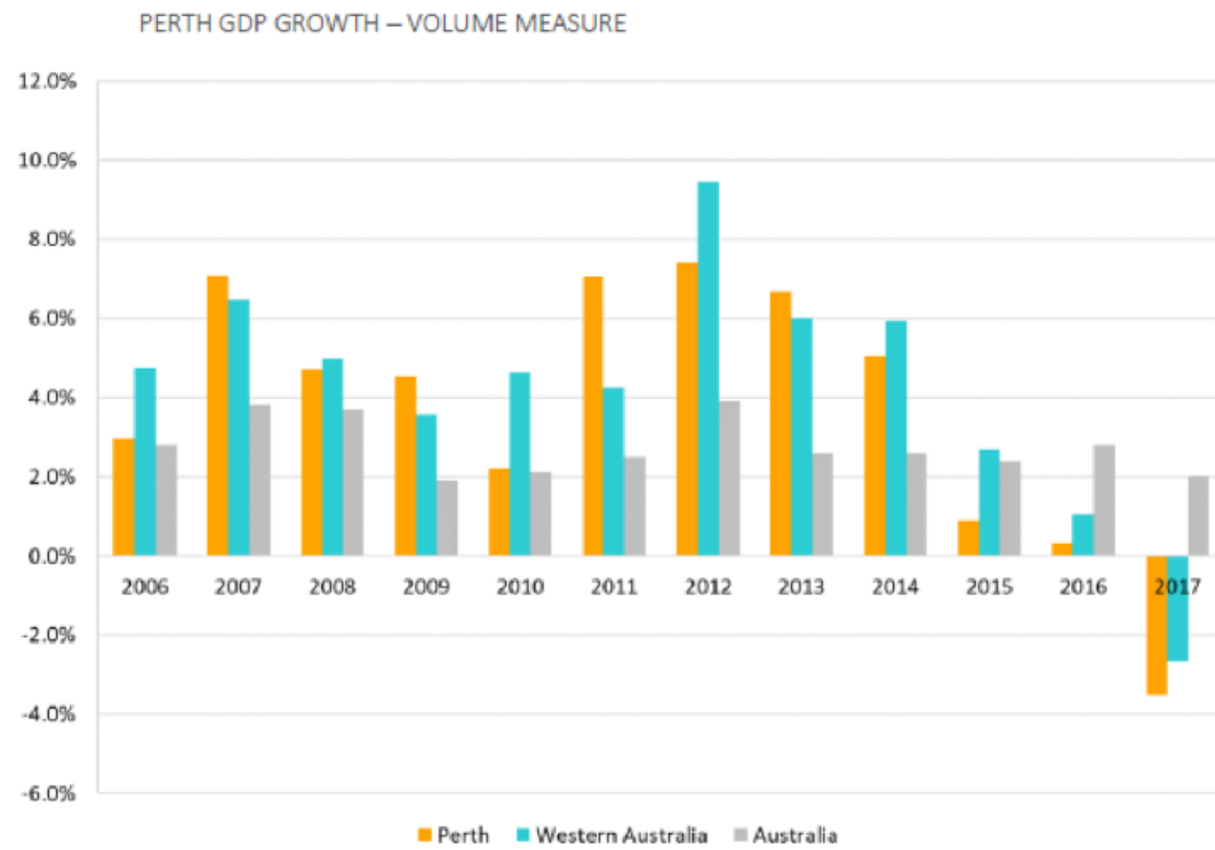
Perth

Throughout 2016/17, the Perth economy was in recession with a 3.5% decline in GDP. To put this into context, the last time that Perth experienced a contraction if this magnitude was in 1990-91.

On review of these figures, it is plain to see that the downturn in the resources/mining sector has been profound, with Perth struggling to find an economic driver in the absence of any key infrastructure projects.

In the wake of the Global Financial Crisis (GFC) in 2008, interest rates reached a peak of 7.8% during 2010 and remained at this level for much of 2011. As a result of high interest rates and a downturn in the mining sector, affordability began to deteriorate as did consumer sentiment.

With the contraction of mining investment and expenditure (and decreased contribution to GDP), migration inflows declined; resulting in rising vacancy rates from 2.1% in June 2007 to a peak of 4.5% in the year to June 2010.



Source: Australian National Accounts: State Accounts, Cat. No. 5220.0 and SGS Economics & Planning

In 2012/13, there was a resurgence in mining investment in the resources sector which saw an increase in commodity prices due to increased global demand for resources. This ensued in growth in jobs as well as incomes. In turn, this stimulated migration inflows and population growth.

After experiencing a short period of growth, a decline in demand for resources resulted in a decline in commodity prices. At the same time, several major projects were coming to completion and/ or were transitioning towards the less labour-intensive production phase. With the decline in demand for resources, many other mining projects were scaled back or deferred.

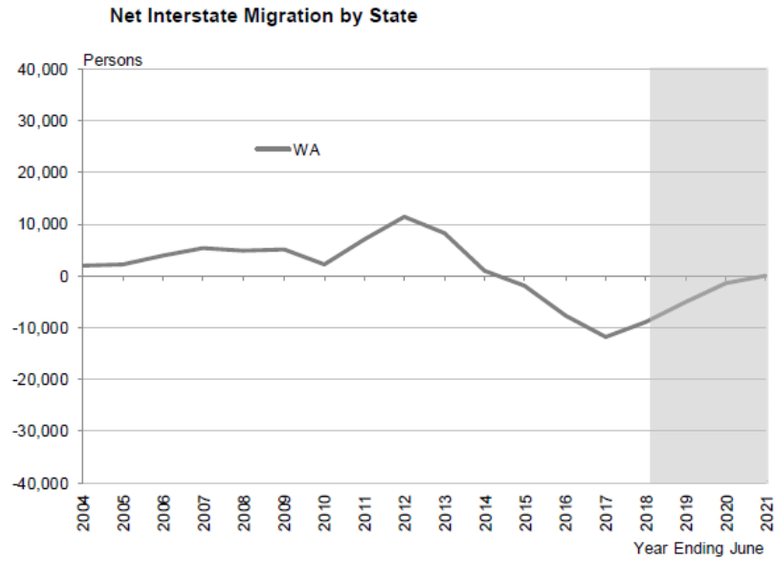
As a consequence of the downturn in mining activity, employment opportunities have contracted sharply which has resulted in a sharp increase in the unemployment rate over the past 2 years.

Presently, the unemployment rate for Perth lies somewhere around 6.1%; nearly 1% higher than the national average.

In acknowledgement of the above, it comes as little surprise that Net Overseas and Net Interstate Migrations figures have deteriorated.

ABS data shows that WA's net overseas migration fell from a peak of almost 23,000 people in 2011/12 to 13,650 in 2015/16. In addition to this, net interstate migration also experienced significant outflows with 7,703 persons leaving the state in 2015/16 .

As a result of high net migration outflows, vacancy rates for Perth rapidly increased from 3.4% in June 2013 to 5.7% in June 2016 . As noted by leading analysts BIS Shrapnel, this is the highest recorded vacancy rate in over 20 years.



Source: ABS, BIS Oxford Economics

ABS/ BIS Shrapnel
SQM research- Vacancy rates- Perth- accessed January 2018

The decline in Perth's economy in 2016-17 was reflected across most sectors. Financial & Insurance Services (0.6 percentage points), Health Care (0.5 percentage points) and Education (0.3 percentage points) were the only industries that made any meaningful contribution to GDP growth.

Construction detracted 1.5 percentage points from Perth's GDP growth. Professional Services (1.1 percentage points) and Public Administration (0.6 percentage points) were the biggest contributors to the decline in GDP. The decline in Public Administration followed a positive contribution (0.7 percentage points) in 2015-16.

Perth's key challenge going forward will be to find alternate sources of economic growth now that the mining boom, that has driven the city's economy for the past decade, is over. The economic slowdown is compounded by the flight of skilled labour, as many workers formerly employed in mining-related jobs migrate to the eastern seaboard in search of employment.

With weak housing demand, the property market seems to have cooled substantially with house price growth slowing and rental vacancy rates in Perth appear to be holding at 4.1% as at April 2018.

Without the resource sector driving growth, the economy is expected to struggle, and population growth is projected to remain subdued. In acknowledgement of this, it is anticipated that growth in house prices will remain subdued for the short to medium term.

ABS/ BIS Shrapnel
SQM research- Vacancy rates- Perth- accessed January 2018

Comments From the Panel

Comments from the Panel

Terry Rawnsley- SGS economics

"The effect of the end of the mining boom on Perth's economy has been profound, with GDP growth diving to 1.6 per cent in 2015-16, compared to 8.8 per cent in 2011-12. The GDP growth rate of 1.6 per cent was the third lowest on record lowest (only 2000-01 at 0.5 per cent and 1990-91 at -3.0 per cent were lower)."

"With less jobs on offer, people (in particular skilled labour) are leaving Western Australia and seeking work in the Eastern states."

"With such a weak economy, normally government would increase spending to help stimulate economic activity. However, the Western Australian Government is constrained by repeated budget deficits"

Angie Zigomanis- BIS Oxford Economics

Employment and Economic cycles- " *Economy appears to have bottomed out but it will be a long and drawn out recovery"*

Infrastructure- *"No big projects and state finances are tight, (sic) so not too many in the pipeline"*
Population growth- "Significant outflows to the rest of Australia still occurring, although they are now starting to ease"

"Affordability has become more attractive after price falls, but still little encouragement for buyers without the jobs"

Don Smith- BCI Economics

"State government has begun to find some funding (eg Perth Metronet) however, more is needed to turn things around"

Professor Tim Fisher-

"Hard to see where WA's next growth spurt is coming from. Any future growth is dependent on rising commodity prices, which don't look too likely at the moment"

"Given the reduction in prices, there is at least an upside for yields. However, if Perth is unable to diversify its economy on the medium-term, population growth will keep demand in check."

Who is Meridian Australia?

Meridian Australia is a company that specializes in the statistical analysis of the property market. Furthermore, we are firm believers that any property investment decision should be supported by sound, unbiased data. In keeping with these principals, Meridian Australia has established an Investor Panel comprising of several independent members whom are each specialists in their chosen field. The investor panel serves as a forum to engage in healthy debate on the fundamental drivers that influence capital growth. The information that is reviewed and analysed at each panel meeting forms a key component of Meridian Australia's due diligence. This information is of great importance when it comes to identifying property investment opportunities. Subsequently, these insights are passed on to Meridian clientele, allowing them to make an informed decision when it comes to establishing a property portfolio.

The Panel

BETHANIE FINNEY

Senior Consultant BEc

Bethanie is an urban economist with over 7 years' consulting experience covering a range of major development projects, strategic planning for cities, economic impact assessments, cost benefit analyses and feasibility studies for urban development and tourism projects across the Asia Pacific region. She specialises in economic modelling, forecasting, and spatial analysis.

ANGIE ZIGOMANIS

Senior Manager | Residential Property | BIS Oxford Economics Pty Ltd | BBus

Angie holds a Bachelor of Business (Property) from the University of the Royal Melbourne Institute of Technology and heads BIS Oxford Economics' Residential Research Unit. He previously worked as a research officer in the property consultancy of CB Richard Ellis (Victoria), before beginning his tenure at BIS

TIMOTHY FISHER

Associate Professor (Economics) | BA (Hons) Queen's, MA UBC, PhD UBC

Timothy is one of Australia's leading academics, with research expertise in the areas of; applied Econometrics and Labour Economics as well as Economic Policy and Economic Development. Much of Timothy's research has been cited and published many journals and research studies over the past 10

DON SMITH

Senior Analyst at BCI Economics | MA (Hons), BA

Don specialises in the analysis of ongoing construction forecasts across Australia. BCI Economics is the division of BCI Media group that provides construction industry-based research and reports across Australia, New Zealand and Asia; committed to delivering accurate and reliable business information on

TERRY RAWNSLEY

Principal and Partner of SGS Economics | BEc (Hons)

Terry is a renowned economist who provides advice to all tiers of government, not for profit organisations and the private sector. He is Australia's leading thinker on the link between the urban productivity and the macroeconomy and is a regular media commentator on the functioning of our cities and regions.

BRAD WEARNE

Head of Research and Acquisitions | BHsc- HSM

Brad comes from an insurance and management background and holds a Bachelor degree in Health Science and Services Management. Prior to joining the Meridian team, Brad worked for a Multi national

GLENN PIPER

CEO & Founder of Meridian Australia

Glenn Piper is a licensed real estate agent and the founder and CEO of Meridian Australia. He now holds 40 properties, with a value of approximately $15 million. Glenn helps everyday Australians do what he has, and build a property portfolio of their own. Glenn has now successfully assisted his clients to invest in over $250

ADAM DUFFY

Partner, Meridian Australia| BCom

Adam is a Partner at Meridian Australia, joining the team in 2011. He is a registered Real Estate Agent in NSW and QLD with a Bachelor of Commerce and a Graduate Diploma in Financial Planning. Adam has personally assisted clients in acquiring in excess of $150m of Australian residential property.

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