



Housing Industry Forecasting Group

Forecasting Dwelling Commencements
in Western Australia

April 2025



Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

HIFG update April 2025

WA dwelling commencements return to long-term average in 2024-25

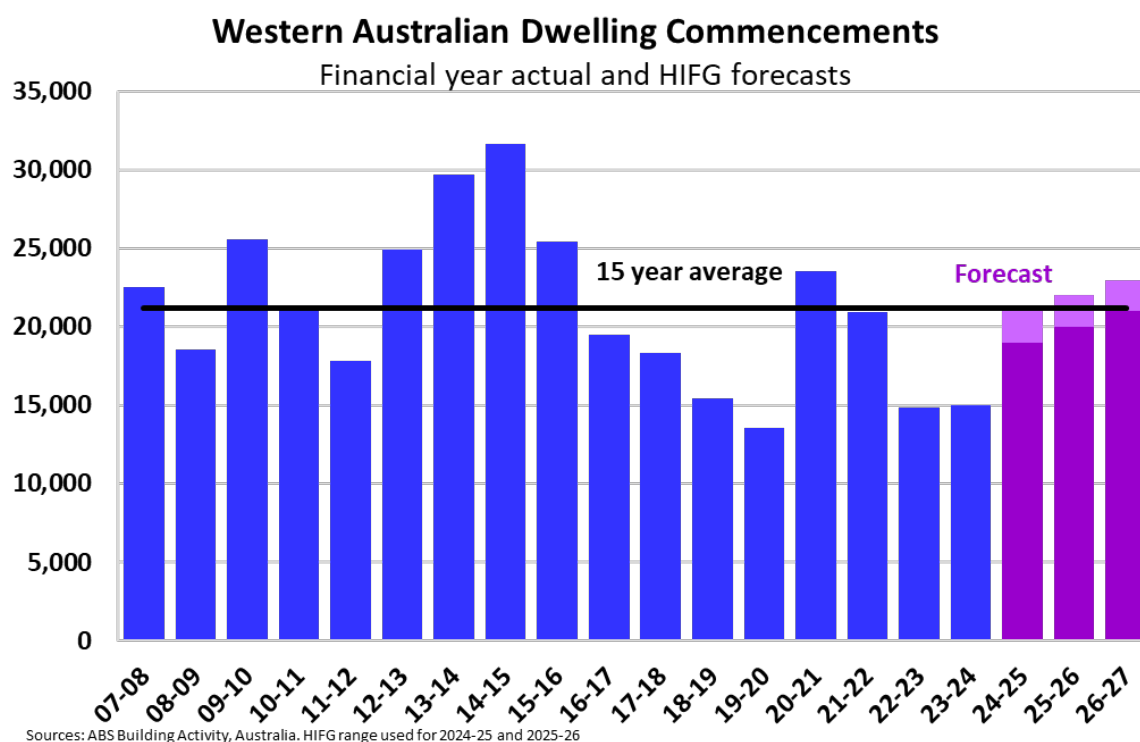
The Housing Industry Forecasting Group (HIFG) has updated its forecast for dwelling commencements in Western Australia, with the previous forecast published in April 2024.

The revised forecast for 2024-25 is 19,000-21,000 commencements, up from the April 2024 estimate of 15,000-17,000. This represents an increase of around 33.3 per cent compared to actual figures for 2023-24. The upward revision is due to increasing dwelling construction activity despite ongoing capacity constraints, which have slowed completions and delayed new starts.

Dwelling commencements are expected to hover around the long-term average over the forecast period, with an estimated range of 20,000-22,000 in 2025-26, followed by a modest increase to 21,000-23,000 in 2026-27.

Financial Year	Dwelling Commencements
2023-24 (actual)	15,036
2024-25 (forecast)	19,000-21,000
2025-26 (forecast)	20,000-22,000
2026-27 (forecast)	21,000-23,000

Figure 1



Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Western Australia's economy remains robust, although slowdown expected

Western Australia's economy remained strong in 2024, although growth slowed in the second half of the year. The domestic economy expanded by 3.7 per cent in annual average terms to December – still strong but the slowest rate since June 2023.

Figure 2
Size of WA's Domestic Economy
State Final Demand, Quarterly



Source: CCIWA, ABS

This growth was driven largely by the public sector. Government consumption rose by 5.6 per cent and public investment surged by 17.6 per cent, together accounting for 87 per cent of the growth in State Final Demand over the year. This was supported by the State Government's large-scale Asset Investment Plan and increased spending on essential services in response to stronger-than-expected population growth. WA Treasury expects public spending to remain high, though it is anticipated that the rate of growth will moderate.

Household spending also contributed, growing by 2.0 per cent over the year. While high prices and interest rates have placed pressure on household budgets, rising wages and strong population growth helped to offset these impacts. With population growth now easing, the outlook for consumer spending will depend on falling inflation, lower interest rates and tax cuts – both implemented and proposed – which could provide moderate support.

Business investment, which surged in the previous financial year, lost momentum in late 2024. Cost pressures and weaker commodity prices contributed to a 3.4 per cent year-on-year decline in activity to December 2024. However, activity remains more than 40 per cent above 2018-19 levels, indicating that investment has stabilised at a

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

higher base. Looking ahead, growth is expected to regain some momentum as existing projects progress and new developments commence.

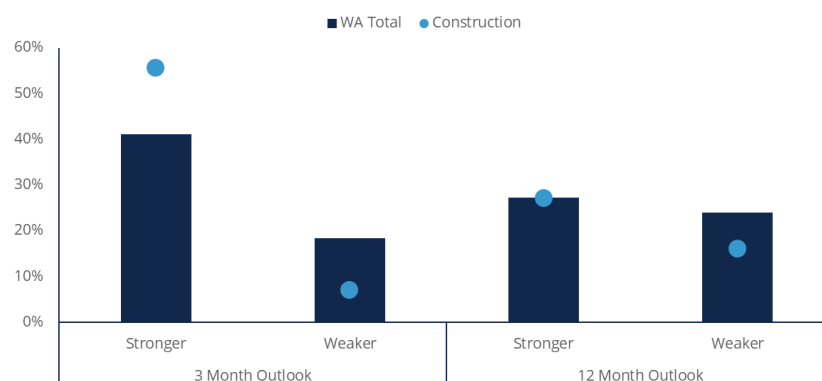
Challenges persist, according to the Chamber of Commerce and Industry WA (CCIWA)'s March 2025 Business Confidence Survey, the rising cost of doing business and the availability of skilled labour remain the two top barriers to growth, cited by 68 per cent and 62 per cent of respondents respectively. In construction, labour shortages are even more pronounced, affecting 70 per cent of businesses. However, fewer businesses (57 per cent) now report rising costs as a major concern.

Short-term confidence remains relatively strong, with 55 per cent of construction businesses reporting a positive outlook – the highest of any sector. This likely reflects steady demand and stabilising costs after a period of volatility.

Figure 3

Expectations of general economic conditions

March 2025



Source: CCIWA

Globally, uncertainty persists. Tariffs introduced by US President Donald Trump have created instability in global markets, prompting downgraded growth forecasts and raising the risk of renewed inflationary pressures, particularly in the US. While Australia has minimal direct exposure to these tariffs, the bigger concern lies with China. A slowdown in China's export sector could affect Australia, depending on the scale of the tariffs. However, China is expected to respond with economic support measures, which may soften the impact on Australia.

Evolving trends in the established market

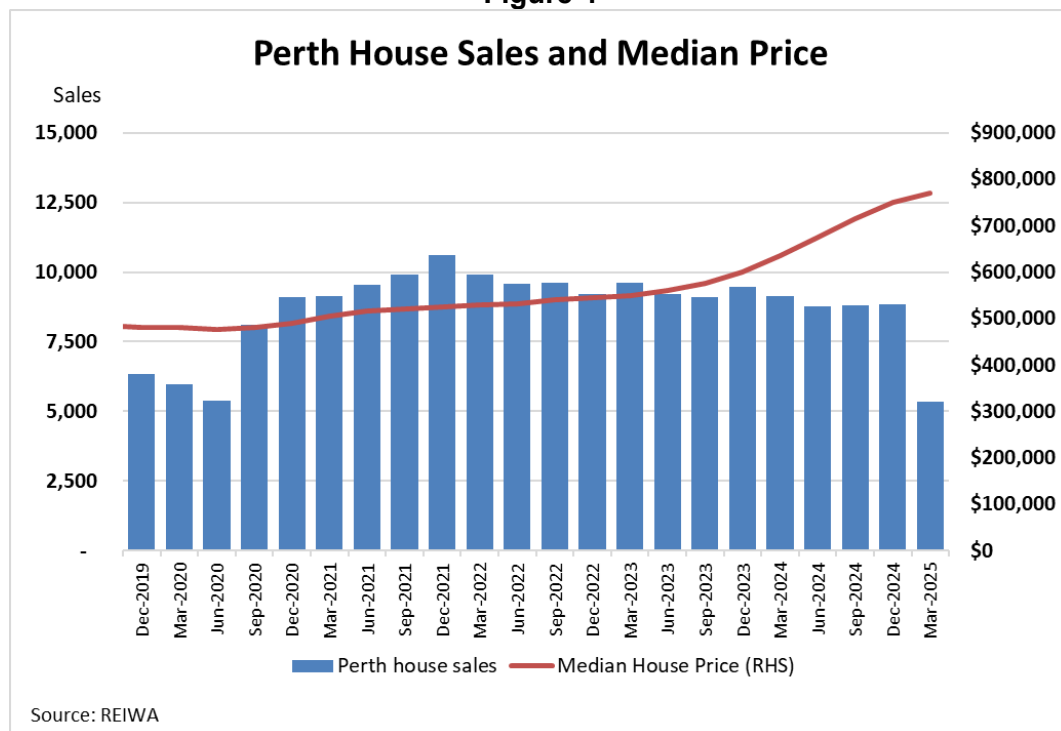
Demand for established properties was strong throughout 2024, with rapid price growth and homes selling quickly – often at the first home open and above the asking price.

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

By March 2025, market conditions had softened. Quarterly sales were 41.5 per cent lower than volumes in March 2024. While population growth has slowed, it remains high and demand for established property is still strong, albeit below peak levels.

Figure 4



Sustained growth in property prices

Property prices continue to rise across most of the state. The median house sale price in Greater Perth rose by 21.3 per cent in the March quarter 2025 compared to a year earlier and has increased by 60.4 per cent since March quarter 2020.

Housing Industry Forecasting Group

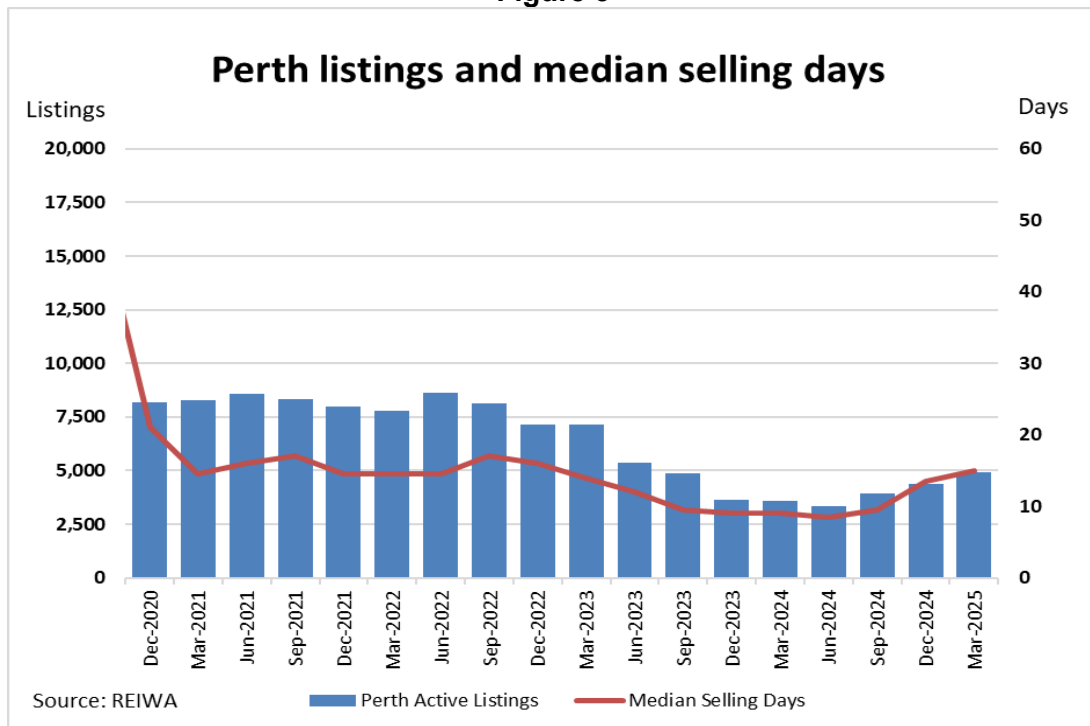
Forecasting Dwelling Commencements in Western Australia

Steady residential sales activity

At the end of March 2025, property listings were 27.0 per cent below the five-year average. Although new listings surged in late 2024 and have remained steady into 2025, giving buyers more choice and time to consider their options, buyers have become more cautious in making offers and setting prices.

Sales activity remains strong, but urgency has diminished. Properties are taking longer to sell, with the median selling time increasing from nine days in March 2024 to 15 days in March 2025.

Figure 5



Rental market remains undersupplied

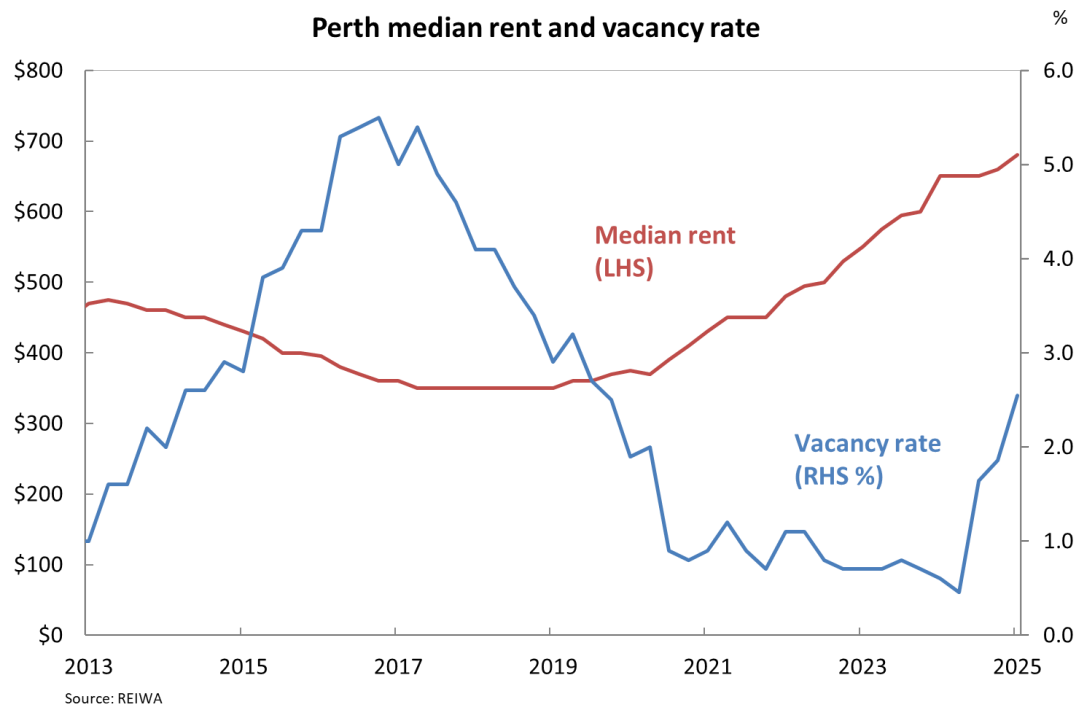
Rental stock remains limited although there has been some improvement in Perth's outer suburbs. The rental vacancy rate in Perth rose from a record low of 0.4 per cent in March 2024 to 2.5 per cent in March 2025, but remains low in high-demand areas.

While population growth has eased, limited rental supply is expected to keep pressure on the market. Median weekly rents rose by 4.6 per cent over the year to \$680 in March 2025, up from \$650 in March 2024.

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Figure 6



Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Greenfield activity normalises following 2024 peak

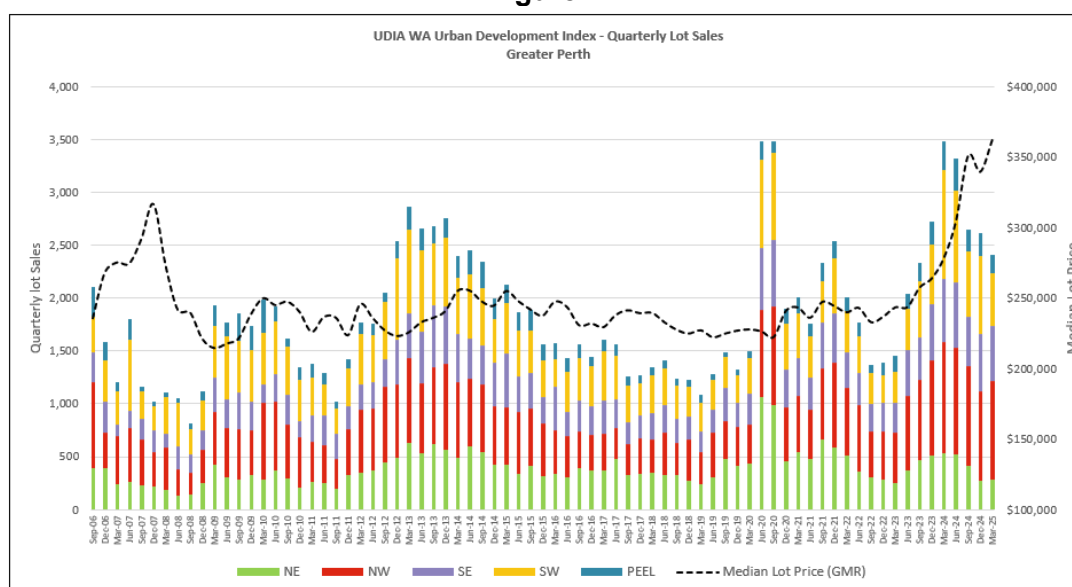
There were 2,532 new residential land sales across WA in the March quarter 2025, down 9.4 per cent from the December quarter and 30 per cent lower than in March 2024.

Demand has moderated over the past year, returning to more typical levels after peaking in March 2024.

Despite the slowdown, Greater Perth recorded more land sales in 2024 than any other capital city –11,260 sales, three per cent more than Southeast Queensland, and significantly more than Melbourne (36 per cent), Sydney (46 per cent) and Adelaide (74 per cent). Perth accounted for around 30 per cent of national greenfield sales in both 2023 and 2024, up from the long-term average of 19 per cent.

Perth also led the nation in annual greenfield lot price growth, with a 34 per cent increase in 2024 –compared to the national average of 12 per cent. Price momentum has continued, with the median lot price rising seven per cent in the March quarter 2025 to \$363,089.

Figure 7



The median established house price in Perth grew by 22 per cent to \$755,000 in March 2025, slightly below the 30 per cent increase in the median lot price over the same period.

Greenfield construction activity fell by 19 per cent in the March quarter, with 5,295 lots under construction. This is down 21 per cent from the June 2024 peak but still 33 per cent above the long-term average.

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Investor activity peaked in the second half of 2023, with a 37 per cent market share but has since fallen to 28 per cent in March 2025. This reflects efforts by some developers to manage investor activity. Meanwhile, first home buyer participation has risen to an Urban Development Index record of 40 per cent.

The supply pipeline is tightening, with only 1,210 unsold lots across WA at the end of March 2025 –56 per cent below the 10-year average.

The lot supply-to-demand ratio improved to 1.1 in March 2025, up from 0.7 a year earlier, but remains below the long-term average of 1.5 – indicating ongoing undersupply and continued upward pressure on prices.

Greenfield market activity is expected to stabilise over the next 12 months, with sales volumes expected to remain around current levels and lot prices projected to grow by five to 10 per cent year-on-year.

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Outlook for building commencements

While the number of dwellings under construction continues to fall, it remains high, with 21,837 dwellings under construction in the December quarter 2024. This is 19.8 per cent lower the peak in December 2022. Commencements have begun to rise again, following a downturn that began after the 2020 Commonwealth and State stimulus grants. Completions are trending up and have outpaced commencements over the past two years, signalling improving industry capacity.

Dwelling commencements fell by 11.5 per cent in the December quarter 2024 (to 5,010) but were still 62.4 per cent higher than the same period in 2023.

Commencements are expected to return to the long-term average in the short to medium term, supported by rising indicators such as First Homeowner Grant (FHOG) applications and building approvals.

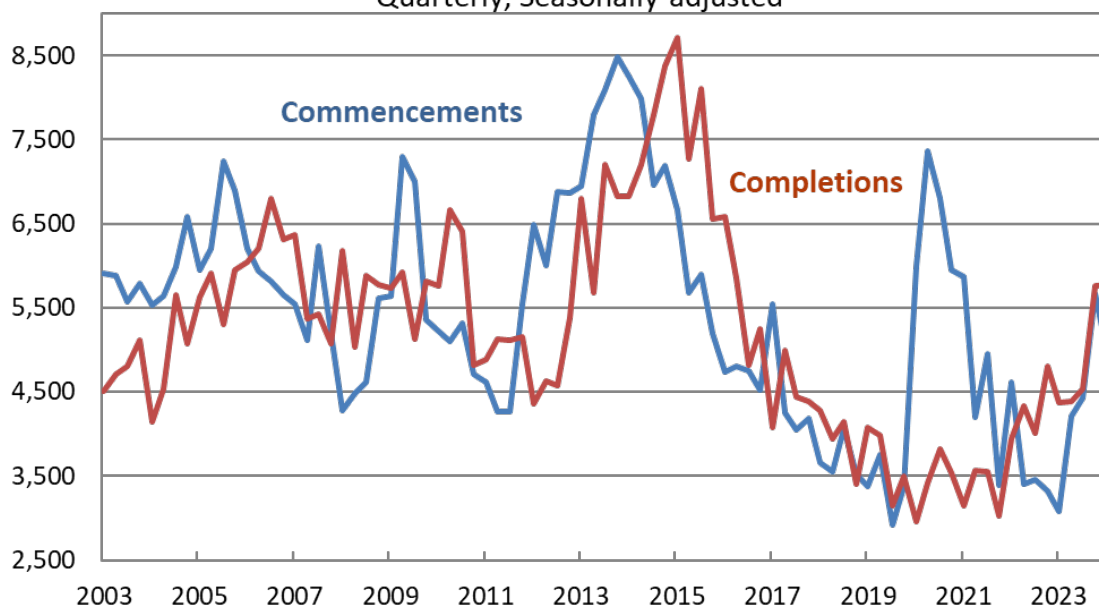
There were 1,060 FHOG applications in the March quarter 2025 – down four per cent from the previous quarter and 6.4 per cent from March 2024. A total of 1,029 grants were paid, a 22.8 per cent increase year-on-year.

Building approvals reached 6,015 in the March quarter 2025 – the highest since July 2021. The annual average was 1,873 approvals, up 45.9 per cent from the 1,284 average a year earlier.

Figure 8

WA Building Activity

Quarterly, Seasonally-adjusted



Source: ABS Building Activity

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Housing finance

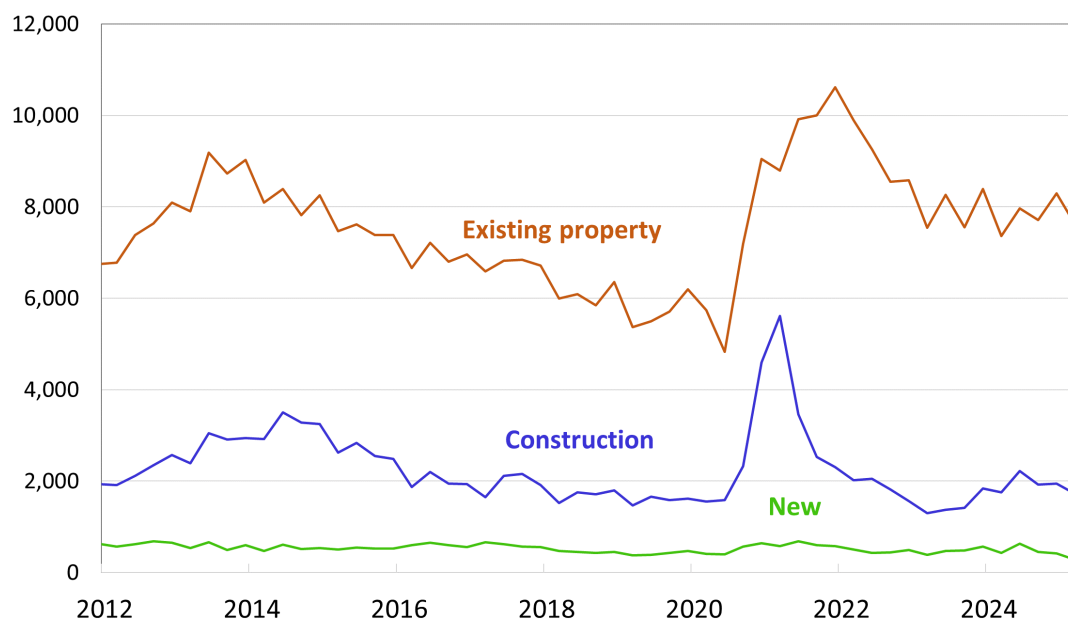
Owner-occupier lending has slowed due to interest rate rises and cost-of-living pressures. Construction lending has returned to pre-pandemic levels, while lending for the purchase of existing properties continues to exceed pre-pandemic levels.

Investor lending remains strong, with continued growth in loans for both construction and existing homes. In March 2025, investor loans were 1.3 per cent lower year-on-year (5,536 vs 5,607) but remain above pre-pandemic levels. Fixed rate lending has declined significantly since January 2022 due to RBA rate increases.

First home buyer volumes have returned to pre-pandemic levels across WA, in line with other states, following the end of stimulus measures introduced following the onset of the COVID-19 pandemic.

Capacity constraints in the construction industry are reflected in the recent softening of new dwelling investment, following the temporary grants.

Figure 9
Owner Occupier New Loan Commitments



Source: ABS Lending Indicators

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

Industry outlook

- The HIFG notes that significant challenges continue in 2025. Labour shortages and elevated construction costs are limiting the viability of new dwellings, particularly for higher-density projects.
- While economic activity is slowing from its post-COVID peak, the WA economy remains strong, despite inflationary and supply-side pressures. Expectations in the construction sector remain positive as capacity improves and strong demand levels foster increased activity.
- The greenfield land market has moderated from record highs but remains buoyant, with strong demand continuing to drive price growth. High levels of demand across the housing market suggest substitution from other sectors. Demand-to-supply ratios have improved but remain low, foreshadowing future construction activity.
- Building commencements are expected to increase moderately in 2024-25, as the sector recovers to long-term averages. A modest improvement is then expected in 2025-26 and further in 2026-27, with strong greenfield activity indicating a surge in demand for detached construction. Building completions are expected to improve as projects reach their finishing stage. It is, however, expected that demand for new dwellings will continue to exceed capacity in the residential construction market.
- Labour shortages remain a critical issue in the construction industry constraining capacity, while strong population growth and economic conditions foster demand for dwellings (rentals and owner-occupier). This will culminate in persistently lower vacancy rates and listing periods, while prices continue to rise across the sector.
- Inflation in Australia has moderated since reaching the highest levels seen since the early 1990s. The Reserve Bank of Australia has reduced the cash rate from the high of 4.35 per cent to 3.85 per cent. Inflation is now in the target range though is expected to increase moderately. Reductions to the cost of borrowing are expected to improve commencements in the short to medium term.

For further information please visit <https://www.wa.gov.au/government/document-collections/housing-industry-forecasting-group>