Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

April 2026

Housing Industry Forecasting Group (HIFG)

The Housing Industry Forecasting Group is a joint industry and government body that provides independent commentary on the housing sector in Western Australia. The Group brings together representatives from across the residential construction industry and key government agencies to provide a broad perspective on housing market conditions and outlook.

The report is developed through the collation of contributions from HIFG members, incorporating market intelligence, project information and judgement to provide a consolidated view of current conditions and the housing outlook.

Data in this report reflect information as at May 2026, unless otherwise stated.

Housing Industry Forecasting Group

Forecasting Dwelling Commencements in Western Australia

HIFG update April 2026

WA dwelling commencements return to long-term average in 2025-26

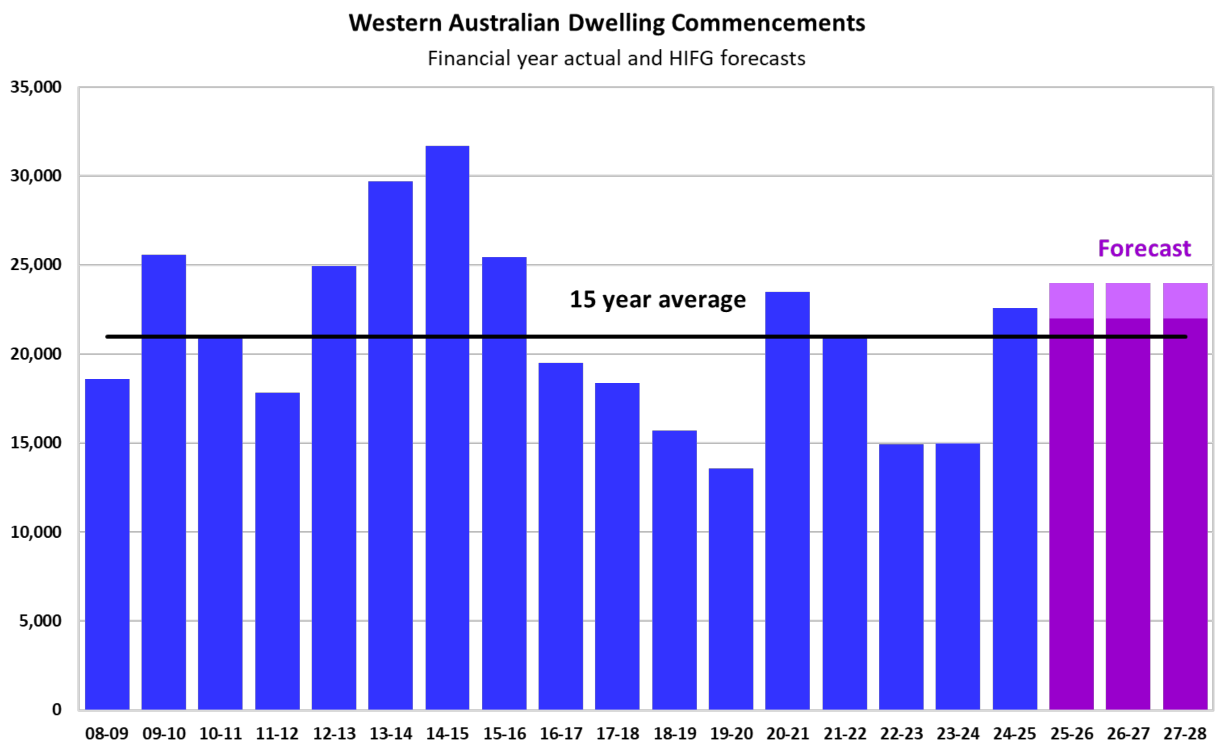
The Housing Industry Forecasting Group (HIFG) has updated its forecast for dwelling commencements in Western Australia (WA), following the previous forecast published in April 2025.

The revised forecast for 2025-26 is 22,000-24,000 commencements, up from the April 2025 estimate of 20,000-22,000. The Group expects commencements to remain broadly in line with, or slightly above 2024-25 levels. The upward revision reflects persistent and stronger than expected demand supported by improving leading indicators, and population growth.

Dwelling commencements are expected to remain above the long-term average over the forecast period, with an estimated range of 22,000-24,000 in 2026-27 and 2027-28.

Financial Year	Dwelling Commencements
2024-25 (actual)	**22,567**
2025-26 (forecast)	**22,000-24,000**
2026-27 (forecast)	**22,000-24,000**
2027-28 (forecast)	**22,000-24,000**

Figure 1

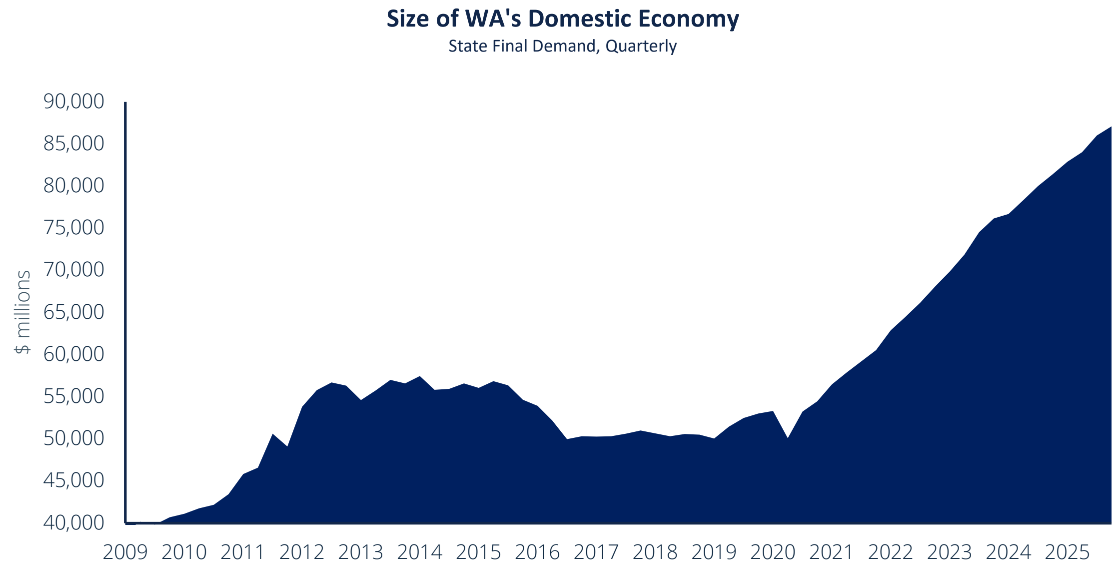


Sources: ABS Building Activity, Australia. HIFG range used for 2025-26, 2026-27 and 2027-28.

Western Australia's economy remains robust, although a slowdown is expected

WA's economy continued to expand through the end of 2025, with State Final Demand increasing by 3.2 per cent over the year (Figure 2). While growth moderated in the December quarter, this follows a period of strong expansion. In annual terms, State Final Demand growth remained among the strongest of all states over 2025. While economic conditions remained resilient prior to the escalation of conflict in the Middle East, the WA economy is now expected to adjust to the flow-on impacts of the crisis.

Figure 2



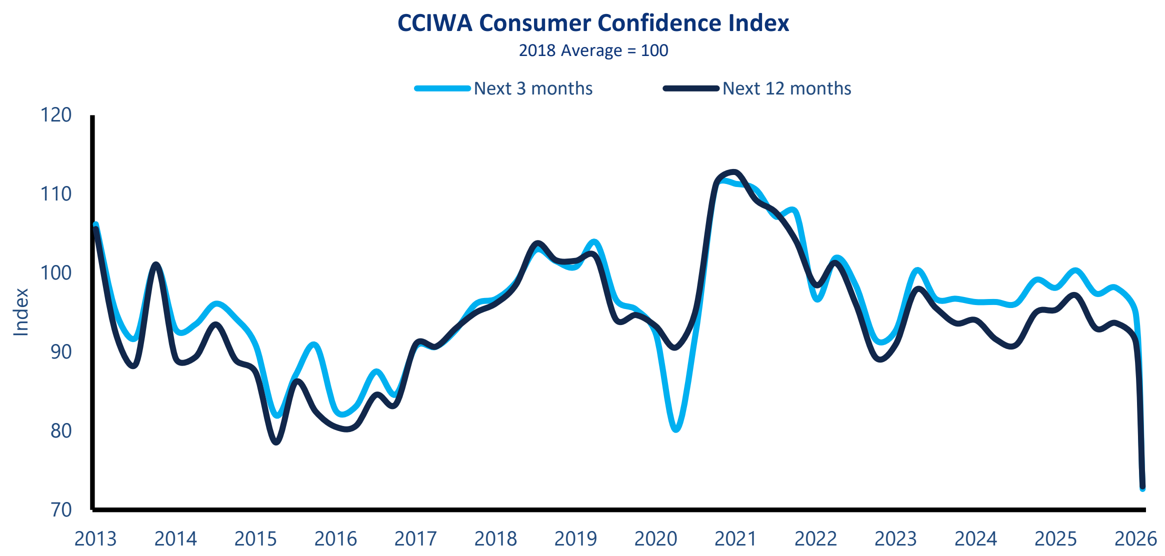
Source: CCIWA, ABS

WA has maintained strong population growth, with significant positive net interstate and international migration, increasing by 2.2 per cent in the 12 months to September 2025. This has underpinned continued strength in the WA labour market, with employment remaining at record highs and annual growth of 1.9 per cent to March 2026. The unemployment rate has remained relatively low at around 4.0-4.2 per cent, despite easing slightly from historic lows. Strong demand for housing and infrastructure has also lifted construction activity and employment, with construction employment growing by nearly 20 per cent in the year to February 2026.

In the September quarter, State Final Demand was largely driven by public investment, while economic growth in the December quarter was supported by increases in public consumption (2.2 per cent) and private investment (1.8 per cent). Public investment declined by 7 per cent in the December quarter, following a 5.6 per cent increase in the September quarter. While the State Government's Asset Investment Program has historically been a significant driver of growth, this contribution is now easing as projects reach completion in line with the delivery cycle.

Consumer confidence has fallen to historically low levels following the escalation of the conflict in the Middle East, as reflected in the Chamber of Commerce and Industry of WA (CCIWA)'s consumer confidence index for March 2026 (Figure 3).

Figure 3



Inflation in Western Australia has remained relatively elevated, with annual CPI around 3.8 per cent in late 2025 and closer to 4-5 per cent into early 2026, sitting above the Reserve Bank of Australia (RBA)'s 2-3 per cent target band. Nationally, persistent price pressures contributed to the RBA resuming monetary tightening in 2026, lifting the cash rate in successive moves to 4.35 per cent by May 2026, following a brief easing period in 2025.

After a period of volatility, business investment strengthened through the second half of 2025, recording solid quarterly growth and contributing to a recovery in overall investment. This follows a decline in 2024-25 and highlights improving underlying conditions despite ongoing cost pressures and uncertainty.

CCIWA's Business Confidence survey found confidence across WA declined in February, prior to the escalation of conflict in the Middle East, as businesses adopted a more pessimistic view of the economy. This decline was driven by rising operating costs and ongoing labour shortages.

The escalation of conflict in the Middle East presents a risk to the economic outlook, primarily through its impact on fuel costs, construction input costs, supply chains and business confidence. Survey evidence indicates that rising fuel costs and associated shortages have increased operating costs for businesses, with the construction sector particularly affected. These pressures may contribute to higher building costs and could weigh on margins and project timelines.

The 2025-26 period highlights both the resilience and evolving dynamics of the WA economy as it transitions through changing economic drivers. While State Final Demand has remained solid, moderating quarterly growth and the impacts of the geopolitical environment point to easing economic conditions. Business conditions have also softened, with persistent cost pressures, labour shortages and declining confidence weighing on the business environment.

Global developments are playing an increasingly important role in shaping economic outcomes. Ongoing tensions in the Middle East present a source of uncertainty, particularly though potential impacts on global energy markets and trade conditions. More broadly, a slowing in global growth and more moderate commodity demand represent risks that could impact economic activity in Western Australia.

Looking ahead, WA enters this period from a position of relative strength. However, the outlook reflects a transition to slower growth, with global conditions, cost pressures and softer demand expected to shape economic conditions over the coming years.

Limited supply and strong demand

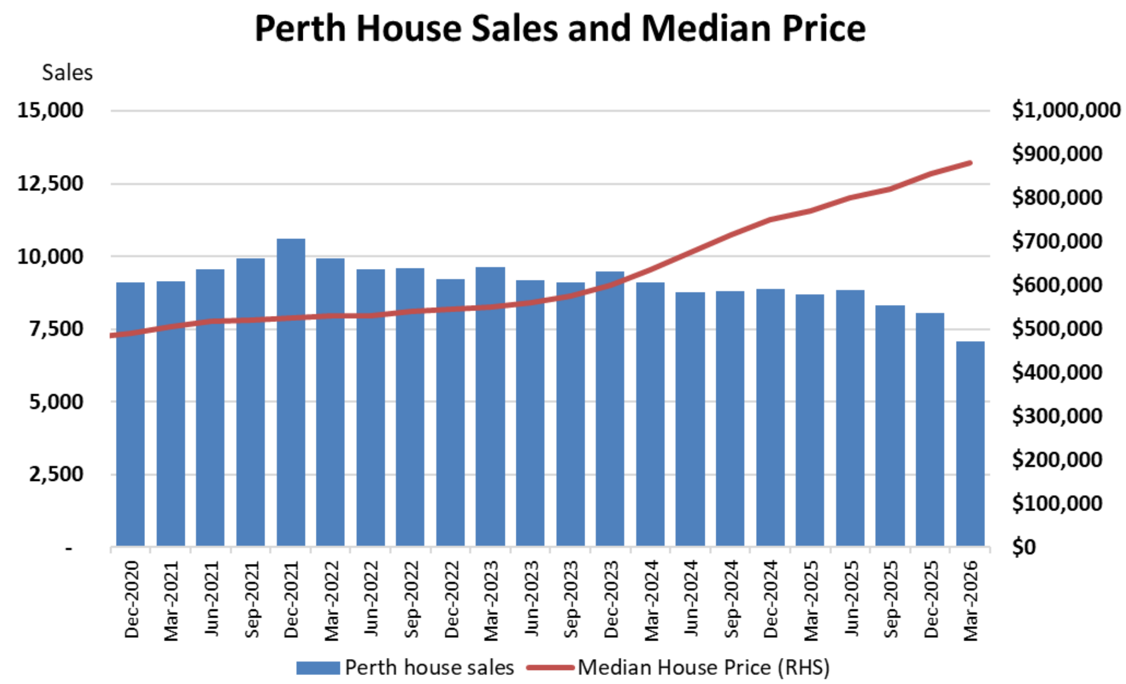
The sales market continues to be driven by a significant imbalance between supply and demand. Population growth has eased slightly but remains strong, and while new home completions have averaged above 4,500 per quarter since September 2024, a supply deficit is still evident due to weaker supply in earlier years..

Compounding supply issues in the new homes market has been the decline in new listings in the established homes market. New listings remain below long-term averages throughout the second half of 2025. As a result, fear of missing out returned to the market, with dwellings selling in a record median time of eight days towards the end of the year.

While affordability has declined over recent years and higher interest rates in 2026 have reduced borrowing capacity, several factors continue to support demand. State and Federal Government schemes aimed to improving affordability are sustaining activity at the lower end of the market, while the tight rental market and low volume of established home listings have created a logjam in housing availability.

Demand for established housing is expected to remain high in 2026, particularly if challenges facing the building industry due to impacts of the Middle East crisis persist for an extended period. However, the continuation of strong underlying demand, in the context of constrained supply, is a key factor supporting HIFG's expectation that dwelling commencements will remain elevated over the forecast period.

Figure 4



Source: REIWA

Sustained growth in property prices

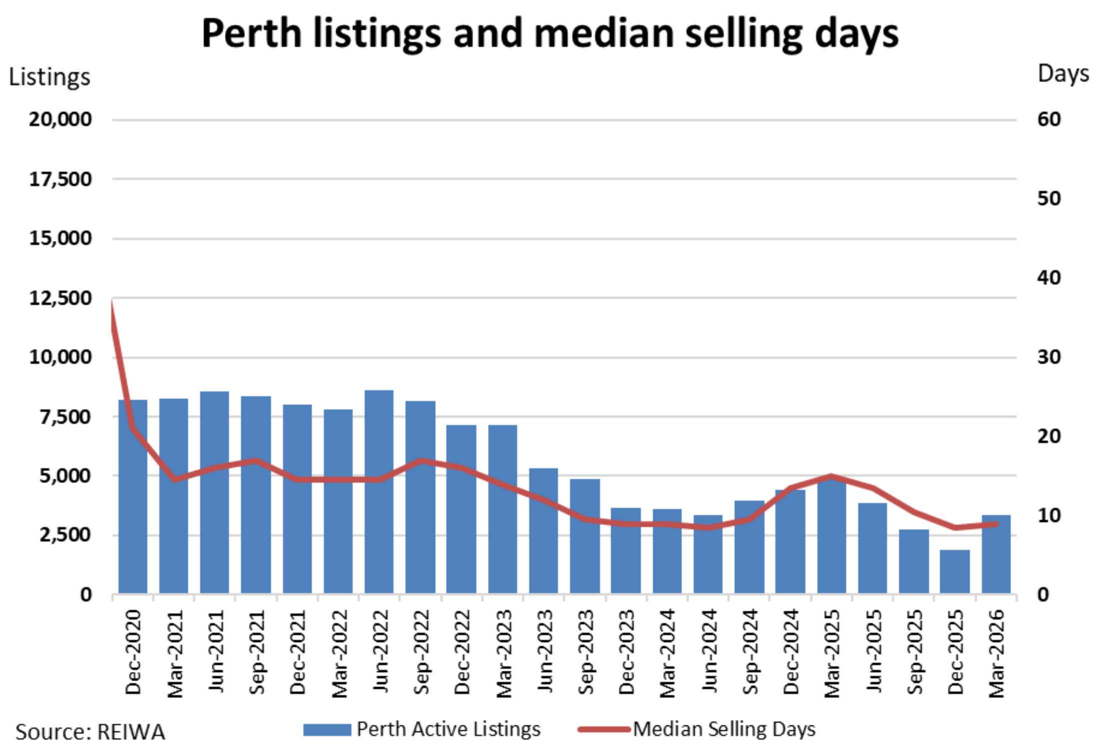
Property prices continue to rise across most of the state. The median house sale price in Greater Perth rose by 14.3 per cent in the March quarter 2026 compared with a year earlier and has increased by 83.3 per cent since the March quarter 2020.

Reduced residential sales activity

At the end of March 2026, property listings were 40.6 per cent below the five-year average. Following the surge in new listings in late 2024, the number of properties available for sale declined significantly through 2025.

Sales activity eased slightly in the second half of 2025 compared with the previous five-year average, although urgency remained high, with a median selling time of nine days in the past two quarters.

Figure 5



Challenges remain in the rental market

The Perth rental market remains tight. The vacancy rate in Perth declined to 2.0 per cent in March 2026, down from 2.6 per cent at the end of 2025.

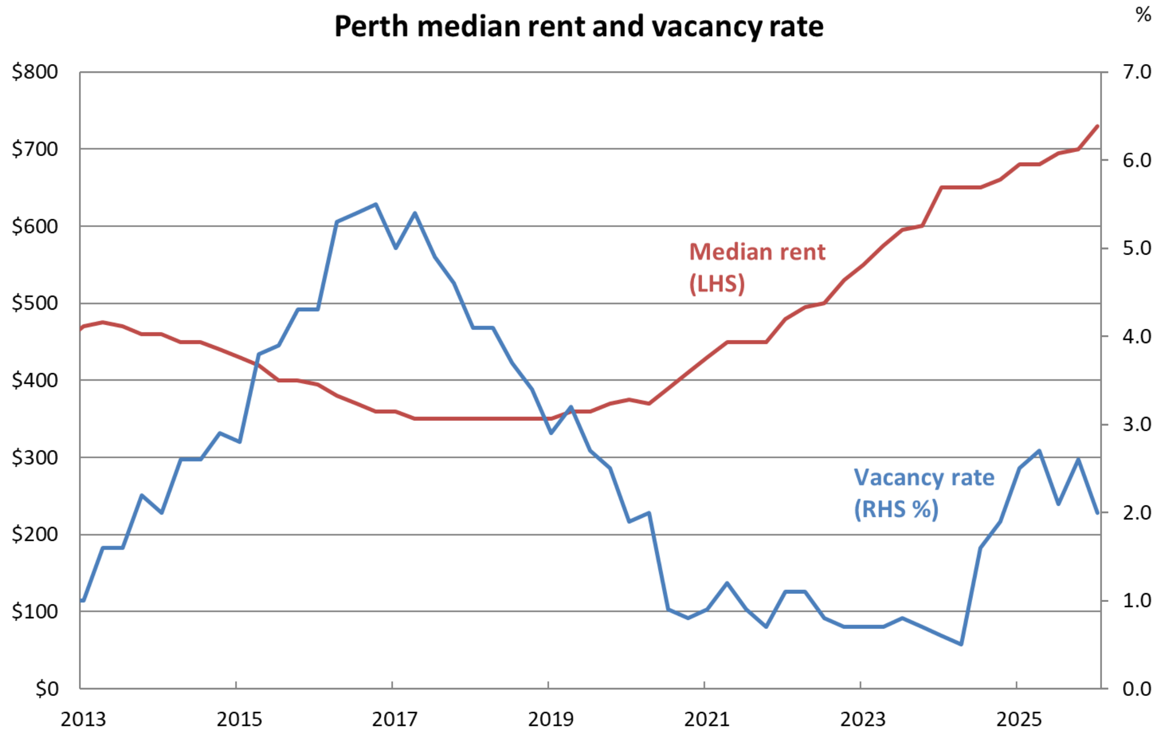
In areas close to employment centres, lifestyle precincts and transport hubs – where demand is strongest and supply has reduced the most – vacancy rates are even lower.

Many regional areas across WA also remain constrained, with vacancy rates below one per cent in Albany, Geraldton, Kalgoorlie and Karratha.

While population growth has eased slightly, limited rental supply is expected to maintain pressure on the market. Median weekly rents rose by 7.4 per cent over the year to $730 in March 2026, up from $680 in March 2025.

Figure 6

Perth median rent and vacancy rate



Source: REIWA

Greenfield activity normalises following 2024 peak

Data from UDIA WA show that new residential land sales across WA totalled 2,590 in the March quarter 2026, representing an 11 per cent decline on December quarter 2025 sales volumes. While this marked a second consecutive quarterly decline in lot sales, annualised sales activity reached a 15-year high, with 11,855 sales over the four quarters – 49 per cent higher than the 10-year average.

Despite the strong annual result, underpinned by the record-breaking 3,770 sales recorded in the September quarter 2025, there are clear signs of moderation, with quarterly sales returning to more normalised levels.

While other capital cities are starting to record flat or declining residential property values, the Perth market continues to record strong price growth. The statewide median greenfield lot price increased by 3.2 per cent to $418,840 in the March 2026 quarter and is now 43 per cent higher than two years earlier.

The outlook for greenfield lot construction activity, based on the Urban Development Index (UDI) project-scale developer survey, declined by 12 per cent in the March quarter, with 7,710 lots currently under construction or expected to be released to the market over the next 12 months. While this has eased from the previous quarter's recent peak, forward construction activity remains 79 per cent higher than the 10-year average.

The ongoing strength of WA's greenfield land market has significantly reduced available supply pipelines, with UDIA member developers reporting only 443 lots on the market at the close of the March quarter – down by two-thirds compared with a year earlier and 84 per cent below the 10-year average. The limited stock availability continues to support strong price growth across major WA greenfield corridors.

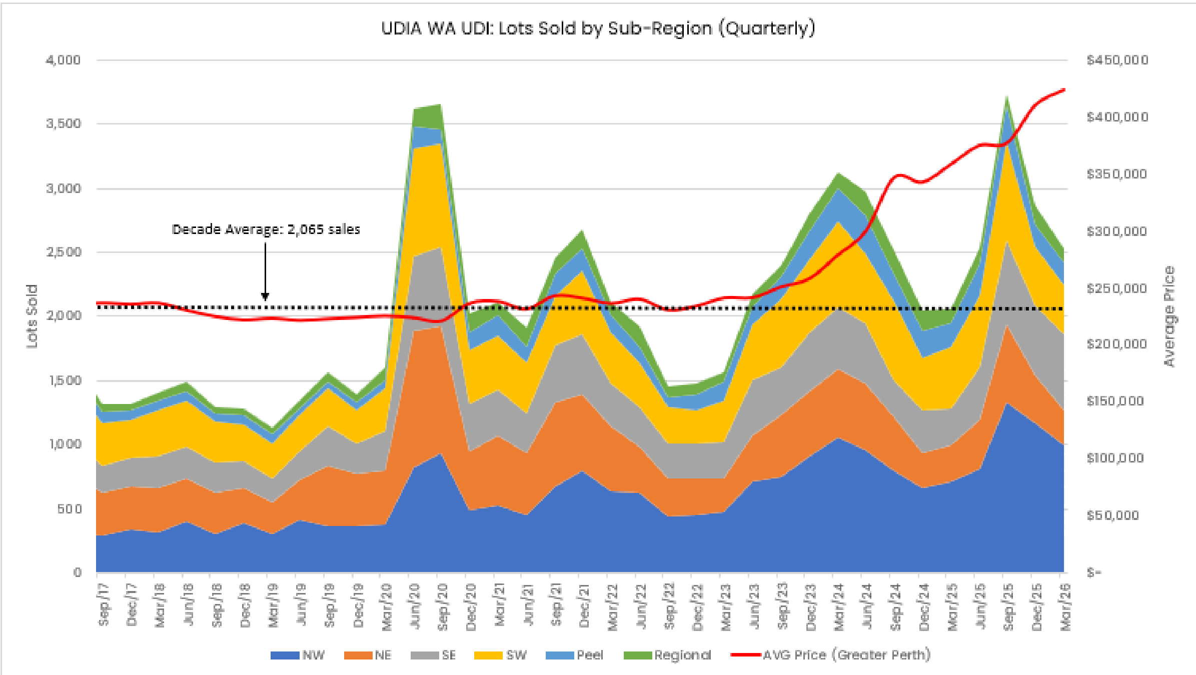
While forward supply remains tight, there has been some improvement in the lot supply-to-demand ratio, which increased to 1.1 at the close of the March quarter 2026, up from the record low of 0.7 recorded in the September quarter 2025. However, this remains well below the long-run average of 1.8 and firmly within undersupply territory, which is likely to continue supporting price growth.

Investor participation in the WA greenfield market fell sharply in the second half of 2025 and this trend continued into the March quarter 2026, with investors accounting for 16 per cent of sales activity. This is less than half the share recorded in December 2023, when participation rates began declining quarter-on-quarter. The reduction is attributed to east coast 'channel investment' shifting away from WA towards other national greenfield markets.

A beneficiary of reduced investor activity has been first home buyers, whose participation rate has increased over the past three quarters and accounted for 50 per cent of all lot sales in March 2026. The State Government's increase in June quarter 2025 to price thresholds for vacant land and homes eligible for reduced or no stamp duty has likely been a key factor supporting increased first home buyer participation.

The UDIA WA greenfield market outlook for the next 12 months is for lot sale volumes to stabilise around current levels, with median lot price growth forecast at between 4 per cent to 8 per cent year-on-year.

Figure 7



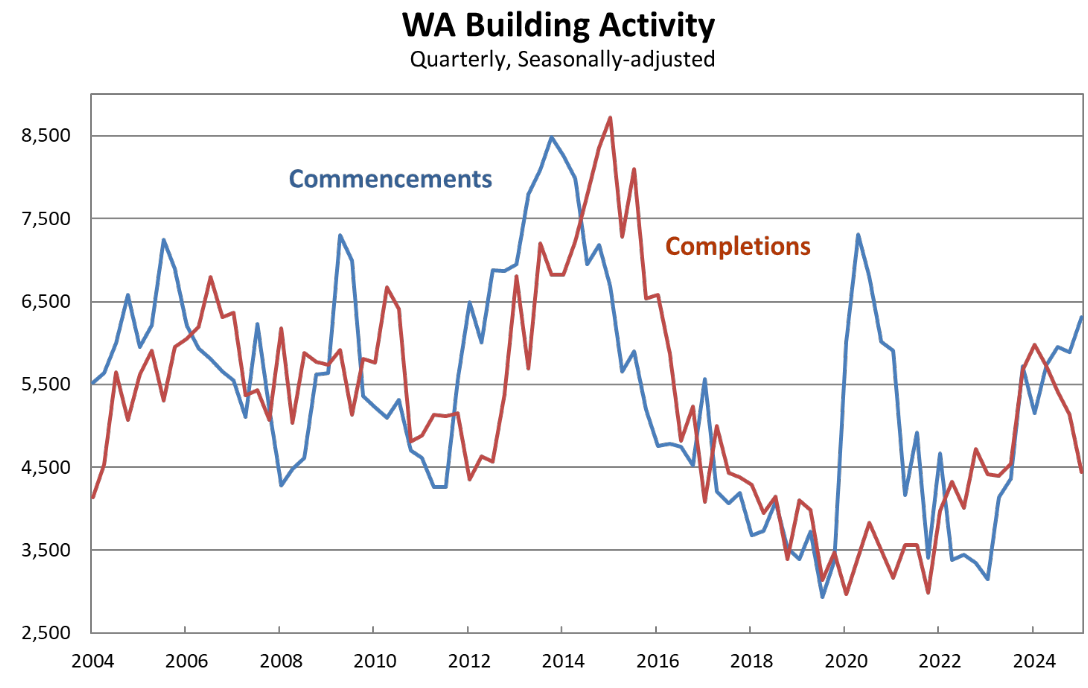
Outlook for building commencements

Despite a modest decline in dwellings under construction during 2024, the number of dwellings under construction increased strongly through 2025, rising by 3,551 dwellings to 25,548 in the December quarter 2025. This is 7.5 per cent below the peak recorded in December 2022, highlighting ongoing capacity constraints.

Commencements continue to rise following the downturn that began after the 2020 Commonwealth and State stimulus grants. Completions have declined and were outpaced by commencements throughout 2025, further signalling persistent capacity issues.

Dwelling commencements rose by 7.1 per cent in the December quarter 2025 to 6,307, this was 22.3 per cent higher than the same period in 2025. Commencements are expected to remain above the long-term average in the short to medium term, supported by elevated demand and stronger lead indicators such as the first homeowner grant applications and building approvals.

Figure 8



Source: ABS Building Activity

There were 1,147 first homeowner grant applications in the March quarter 2026 – down 15.4 per cent from the previous quarter but 8.2 per cent higher than March 2025. A total of 936 grants were paid, representing a 9.0 per cent decrease year-on-year.

Building approvals reached 7,185 in the March quarter 2026 – the highest level since the June quarter 2021. The annual average was 2,113 approvals per month, up 12.7 per cent from the 1,875 per month average recorded a year earlier. Building approvals have remained elevated over the past year, signalling sustained demand and supporting high levels of commencements in the near term.

While capacity constraints remain an ongoing feature of the industry, there is evidence that capacity has increased compared with recent years. Dwelling completions have maintained high levels beyond 20,000 in both 2024 and 2025, markedly higher than levels observed earlier in the decade. Improved activity suggest that the industry has adapted to constraints and is better positioned to sustain elevated levels of commencements.

Strong underlying demand, a growing pipeline of approved dwellings and evidence of improved constructions activity support a continuation of commencements within the 22,000 – 24,000 range over the forecast period. The range reflects both the strength of demand and the practical limits imposed by ongoing capacity constraints.

Housing finance

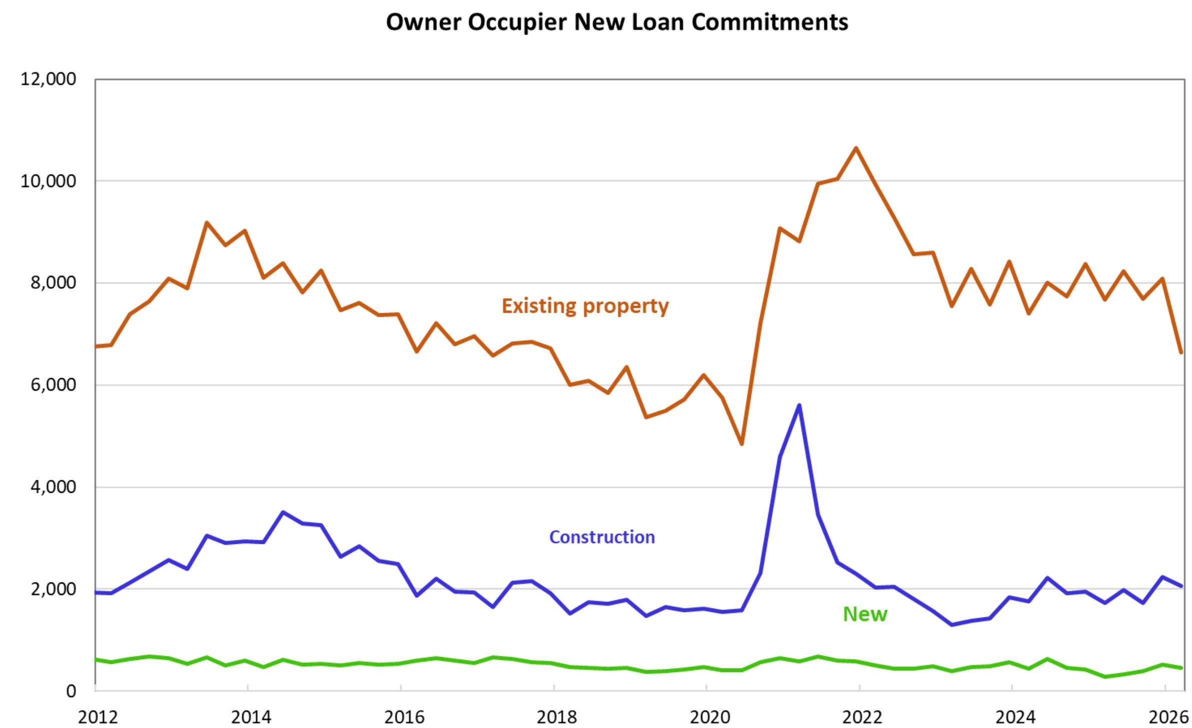
Owner-occupier lending has slowed in response to interest rate rises and broader cost-of-living pressures. Construction lending remains around pre-pandemic levels, while lending for the purchase of existing properties continues to exceed pre-pandemic levels, despite a sharp decline in March 2026.

Investor lending remains strong, with continued growth in loans for both construction and established homes. In March 2025, investor loans were 10.6 per cent higher year-on-year (6,190 compare with 5,599) and remain above pre-pandemic levels. Fixed rate lending has declined significantly since January 2022 following RBA rate increases.

First home buyer activity has remained around pre-pandemic levels across WA, broadly in line with other states, although activity has increased over the past two quarters, indicating renewed participation after the lull that followed the end of COVID-19 stimulus measures.

Capacity constraints in the construction industry continue to impact new dwelling investment.

Figure 9



Source: ABS Lending Indicators

Industry outlook

- The HIFG notes that WA's housing market remains under significant pressure in 2026, with population growth and limited availability continuing to drive demand for both rental and owner-occupier housing. Commencements currently exceed long-term average levels, though uncertainty remains elevated, recent activity levels and forward indicators suggest this elevated level can be sustained over the forecast period.

- WA's economy remained resilient through 2025, supported by strong employment, population growth and public and private investment. However, economic momentum is expected to moderate as inflationary pressures persist, interest rates remain elevated and business confidence softens amid global uncertainty and the impacts of conflict in the Middle East.

- Demand in the established housing market remains strong, with low levels of property listings and tight rental supply contributing to rapid sales times and continued price growth.

- The greenfield land market has begun to normalise following record sales activity in 2024 and 2025, although demand remains historically strong and available stock remains low. Price growth is expected to continue as supply pipelines remain constrained, despite some improvement in the supply-to-demand ratio.

- Dwelling commencements are forecast to remain above long-term averages from 2025-26 through to 2027-28, supported by elevated demand, rising building approvals and improving construction activity. Building completions are expected to gradually improve, although commencements continue to outpace completions, indicating ongoing capacity constraints across the residential construction sector.

- Construction industry conditions remain challenging, with labour shortages, rising operating costs and fuel-related impacts placing pressure on builders and developers. Despite this, strong housing demand and supportive government measures, including first home buyer incentives, are expected to sustain construction activity over the medium term.

- Inflation remains above the RBA's target range and monetary tightening resumed in 2026 following a brief easing period in 2025. Higher borrowing costs and cost-of-living pressures are weighing on consumer and business confidence, although WA's relatively strong labour market and population growth continue to underpin housing demand.

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