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Values continued to tumble in the South West residential market

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Oversupply issues and limited buyer demand are continuing to impact the South West residential market, with the value of vacant residential land having fallen by as much as 30% according to a new market report from CB Richard Ellis.

Global financial uncertainty and poor market sentiment have taken a significant toll on the South West market, which includes the Greater Bunbury Region, Busselton, Dunsborough and Margaret River.

CBRE Senior Valuer Justin Anderson, who is based in the firm's South West office at Busselton, said there was limited demand for vacant land across all price brackets. This, coupled with oversupply issues, had driven values down by 15-30% in new land estates in areas such as the Dalyellup Beach Estate in Capel, Provence Estate/Abbey Waters/Cambridge Estate/Vasse Newtown in Busselton, Parkwater Estate in Cowaramup and Brookfield Estate in Margaret River.

Similar issues are impacting the established housing market according to the CBRE report, which highlights generally soft demand and an oversupply of properties for sale.

"While modest price growth has been recorded in some areas, this appears to have been exaggerated by the limited transactions which have occurred in the past 12 months," Mr Anderson said.

"Recent sales evidence and asking prices would indicate that value levels have fallen some 10-15% over the past six to 12 months across most market sectors."

However, while overall market conditions remain soft, the report highlights increased demand in the first home buyers market over the past four months - both for vacant land and established houses - as a result of increases to the First Home Buyers Grant coupled with historically low interest rates.

Mr Anderson said this had led to increased activity in the lower end of the market, for properties priced under \$400,000.

"It will be interesting to see if this current increase in demand will stay steady once the First Home Owners Grant is finished and if there will be any flow on effect to the next price brackets," Mr Anderson said.

To date, transactions had been particularly limited at the top end of the market, for properties priced between \$1 million and \$5 million. Mr Anderson said buyer demand at the top end had softened and there was a greater than average stock of properties available for sale.

"The recent stock market crash and current volatility may further soften this market sector which is likely to cause a reversion in values," Mr Anderson said.

The CBRE report highlights similar trends in the Rural market, which encompasses Special Rural/Rural Residential properties and Rural/Agriculture assets.

In the Special Rural/Rural Residential sector, Mr Anderson said there was generally an oversupply of properties available for sale, limited demand and few transactions over the past 12 months.

"Value levels appear to have fallen in the order of 10-20% across most market sectors based on some recent sales and current asking prices," Mr Anderson said

A similar softening had been evidenced in the Rural/Agriculture sector, with the CBRE report highlighting a decline in demand for this style of property in the past six to 12 months.

"Rural values within the Shire of Augusta-Margaret River Region and Shire of Busselton are considered to be in excess of a fair market value based on the rural production capacities in these regions," Mr Anderson said.

"The rural sector recorded significant increases in values from 2002 to 2006, with the market being predominantly driven by lifestyle purchasers who regarded rural properties as a feasible alternative to special rural/rural residential and commercial properties, which recorded unprecedented increases in value levels during this period. The past 6-12 months has seen a decline in demand and based on limited transactions and current asking prices it appears there has been a 10-15% decrease in values in most market sectors."

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