



By investors for investors



Why west is best: Perfect storm brewing in Perth for property investors

James Nihill

Perth has become the wildcard in Australia's property market. Economic experts and commentators cannot agree whether Perth has bottomed out and is on the brink of recovery, or if there is still room for the market to drop even further.

With almost five years of falling house prices in [Perth](#), something we can all agree on is that Perth presents some of the most compelling growth opportunities in Australia for property investors. Low house and unit prices have boosted affordability in Perth, while increasing population along with record-low interest rates have created the perfect storm for buyers.

Unlike most Australian capital cities, Perth reached its peak earlier in 2014, thanks to the mining boom. Since then, however, the median house price has reduced by 22 per cent, according to CoreLogic's Home Value Index October 2019.

A 22 per cent drop sounds dramatic, but considering how quickly house prices rose between 2009 and 2014, Perth house prices could still sustain another drop of 1 per cent and remain on par with pre-boom times.

According to Domain's September House Price Report, Perth house prices reported a modest drop of 1 per cent for the September quarter to \$527,107. However, this drop is the lowest it has shown since mid-2018 and a clear indicator the tide could finally be changing for Perth. Perth remains affordable with one of the lowest median house prices in the country.

Over the next three years, as house prices nationwide continue to stabilise, the Western Australian capital is expected to recover and show steady growth, according to QBE research. Perth house values are expected to rise by 6 per cent by 2022, with unit prices expected to grow by 5.3 per cent.

This economic bounce back is in line with a recovery in the mining industry set to have a knock-on effect with improvements in employment figures and migration patterns, which together will underpin stronger housing demand and fuel property price growth.

Figures from the Real Estate Institute of Western Australia (REIWA) show that the rental vacancy rate fell to 2.5 per cent in the September 2019 quarter, which represents a tightening in the market since June 2019.

There is further strength indicated by Perth's growth in rental rates. According to Domain, median asking rents for Perth houses grew 5.7 per cent in the year to September 2019 to \$370 per week, which was the strongest annual growth rate seen in the state since June 2013.

Similarly, Perth units experienced a strong rise in rents year-on-year, at 3.3 per cent to a median of \$310 per week.

In recent years, stronger population growth combined with a slowdown in new housing construction has seen vacant properties being slowly absorbed by the market. According to REIWA data, Perth recorded a decline in listings for sale for the second consecutive quarter, yet the residential sales market also improved during the September 2019 quarter – indicating the take-up of existing housing stock.

Investors looking for growth need to have Perth on their radars. It is the only capital in Australia last month that reported values that dropped in October, yet is on the cusp of imminent growth.

Property always works best as a long-term investment, and the success in any strategy is knowing when to buy and when to sell – watching markets closely and being able to predict both peaks and troughs.

Now is certainly the time for investors to look to the west as we near the bottom of the cycle in Perth. There are abundant opportunities for savvy investors to reap returns in Perth before the recovery begins and prices begin to creep up again.

By James Nihill, managing director, Patrick Leo