

Investing in WA

What is it that is driving the WA property market at present and why is it performing so well in contrast to other markets?

Louis Christopher, Research Director of APM, believes the WA property market will continue to strengthen for at least another six months. Following this period of growth, the market will be influenced by world commodity prices, employment in the area and interest rates.

Perth property commentator and trader Craig Turnbull of *Aspire Group* feels the WA market is approaching the top and certainly can't continue to grow at the rate it is. He believes there is another six-to-nine months of growth left before it slows down.

Currently, the market is at its strongest with overall demand boosted by the buoyant resources sector, the lowest unemployment in decades and steady population growth.

Key factors

So what are the key factors that have driven and seem to keep driving the market to such levels?

- A below average supply of properties for sale is creating significant competition among buyers. Strong economic activity and employment (wage growth) opportunities are being generated by many industry sectors, in particular the resources industry.
- WA's unemployment rate in January 2006 was 4% being the lowest level for 30 years. In 2005 WA's full time employment growth was 4% as compared to a national average of 2.1%.
- High levels of migration to WA (skilled and unskilled) are not only pushing up house prices but also rental rates. In 2004, it is estimated that over 60% of WA's population growth rate was from overseas immigration.
- Low and stable interest rates
- Business surveys are showing high levels of confidence and business investment activity.
- The State Government's large infrastructure spending program is also fueling value growth in emerging home buyer areas.

Rents have also risen strongly. Yields have dropped

off, but not as much as expected in consideration of rapid capital value increase.

Surges in demand

As demand for housing surges, builders are struggling to keep up with demand. Analysts say Perth's residential construction industry is at capacity, with widespread skill shortages driving up prices for tradesmen and adding to the price of new homes.

Estimates are that the Perth rental market presently has a vacancy rate of around 1.6%. This is well below the longer term average of three-to-four%. *Real Estate Institute of Australia* statistics show the median weekly rent for a three bedroom home in Perth increased 21% over the 12 months to 31 December 2005. Presently there are around 8,000 properties available at any one time in the Perth market. (Note: 12,000 is considered to be a healthy supply and demand

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level, but the numbers have been consistently below 12,000 for the past 12 months.)

Craig Turnbull suggests the increased density of dwellings has contributed to raising pressure on prices. He believes that enormous amount of subdivision and apartment block approvals have allowed many of the local residents to subdivide, and many are reinvesting their new found wealth into the local market which is also keeping supply tight and upward pressure on prices.

What separates WA

So why is WA performing so out of alignment with the eastern states? Buyers Agent David Devenish says "Perth is now essentially having its 'time in the sun', following many years of eastern states envy." While all the market fundamentals for Perth have been in place for a number of years, the local market never found the form that drove the eastern states markets from 1997 to 2003.



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