

Full steam ahead?

Confidence is returning to the Perth market as 2012 is tipped to be its year of recovery

While 2011 saw the Perth property market labour under a crisis of confidence, there are signs that 2012 will be the year that buyers restore their belief in the city of lights.

"Where once the outlook was bleak, we are seeing positive forecasts for the housing market backed up by research," says Property Wizards buyer's agent Liz Sterzel.

"We are also seeing a turnaround in investor sentiment, from many being very cautious and unwilling to spend in case property prices were to fall further or interest rates were to rise," she adds. "Buyers are starting to act."

While Sterzel believes that it's unclear whether the market has bottomed out in Perth, REIWA president David Airey is confident that this will happen over the next six months – with signs of recovery appearing by the middle of the year.

And it would seem that investors are inclined to agree. Sterzel, for example, has seen enquiries from investors triple in the last two months – with interstate buyers now eyeing up the Perth market in larger numbers.

"Your average well-researched property investor has returned to the Perth market," she says, adding that the majority of investor enquiries are for reasonably priced properties with add-value potential.

"People are wanting to be more in charge of their own destinies – I guess because the market has messed them around so much in the last few years," she says.

"Self-managed superannuation fund

buyers, and those people looking to escape the rat race through investment are key players at present."

First homebuyers

First homebuyers, too, have been increasingly active over the last few months, thanks to the city's slow market conditions.

"First homebuyers are taking advantage of lower priced homes that were previously on the market for some time," says Sterzel.

Airey adds that with many upgraders waiting for a first homebuyer to purchase their property before moving on, "it's a positive sign that many first homebuyers are now entering a weaker market on the back of improved affordability."

That said, he notes that many potential first homebuyers are still opting to rent rather than buy, which is putting pressure on the rental market and pushing up rents.

"A lot of our offices are reporting exceptionally low vacancy rates, and that's a sign that brings investors back out, and it also starts to see rents move as well," adds Century 21 WA state manager Katie Lucas.

Value for money

She picks out several suburbs that are worth further investigation. Dianella, for one, is showing good value for money.

"What we've noticed is suburbs like Dianella, which is an inner-city suburb 9km from Perth with good infrastructure, you can get a 1970s house, untouched, on a 700-800m² block in the \$500,000s. Whereas you could go an hour out of Perth to Alkimos and get a 400m² block with no infrastructure for \$400,000," she says.

She adds that Dianella is also among those Perth suburbs that have started rezoning to allow for higher density living, which offers buyers the

opportunity to develop their property down the track.

Further from the CBD, she notes that suburbs with good road access to the airport – such as Forrestfield and Thornleigh – are proving popular.

"You can get family homes there in the \$300,000s," she says. "So there's definitely an interest from investors. And even go out to Kelmscott, which is a bit further out, but only 15-20 minutes from the airport, and that's appealing to buyers. They've got the rail structure there".

"So there are certain suburbs that we're seeing moving really well, which is a good sign. And there's a more upbeat feel in the market."

Outlying areas

While Lucas believes that the Perth metropolitan area offers some excellent buying at the moment, there are a couple of outlying areas that she nominates as ones to watch.

Around 170km south of Perth, Bunbury, she says, is drawing in more and more commuters as buyers begin to realise that the extension of the Kwinana Freeway in late 2009 has made transport to the state capital more manageable.

"The new highway extension down there a few years ago has made a big difference to commute times, and we are seeing people fly-in, fly-out," she says. "And there's a lot of employment at the power plant and fertiliser plant out in Collie."

She also highlights Bullsbrook, around 40km north-east of Perth, as an area that offers affordable acreages that are within touching distance of the city.

"It's past our wine region in the Swan Valley," she says. "There are a lot of lifestyle properties and affordable pockets."

And, while the Pilbara's mining towns continue to offer excellent yields, Lucas believes that – given the high buy-in prices of the big guns such as Port Hedland and Karratha – investors might be better off purchasing two properties in metropolitan Perth for the price of one in the north "and not being solely reliant on the resource industry."

"The other issue is that banks usually want a greater deposit in a regional area," she adds.

Additionally, there are signs that the drip down effect of the state's mining boom in the north is creating economic progress in the state capital.

Area	Type	Median value	Growth over 12 months	Growth over three months	Rent return	Rent amount
Perth	H	\$465,500	-4.93%	-1.20%	4.48%	\$400
WA Country	H	\$350,500	0.44%	-2.03%	4.91%	\$330
Perth	U	\$379,000	-6.65%	-2.43%	4.82%	\$350
WA Country	U	\$297,000	-5.28%	-0.17%	5.27%	\$300