

PROFITING IN PERTH

Investors in Perth are increasingly competing with savvy homebuyers and are going to have to step up their game if they want to continue to build wealth in the west

By Liz Sterzel



Growth potential

In *Smart Property Investment's* recent *Fast 50* report a number of Perth suburbs were highlighted for their capital growth potential, including Highgate, Coolbellup and Joondanna. Western Australia was the third most represented state on the list, with 10 suburbs.

Once thought to be focused on their family alone, we're now seeing Perth homebuyers think more than ever about the future. No longer content to simply search for a great space to park their family for a few years, they're now hunting for a home that is also a great investment. If circumstances dictate they want or need to sell, they want to boost their chances of getting a return on their purchase. Perth homebuyers are increasingly seeing their home as an investment.

It makes sense that homebuyers are viewing things this way. After all, a home is the average Perth property buyer's most expensive asset. If a homebuyer plans to live in a house in Perth for the long term and pay off the mortgage for an indefinite period of time - perhaps five to 10 years, or maybe 10 to 20 years - then why not embrace the same criteria and checklists as with buying an investment property?

The downside for property investors is that this fresh homebuyer approach is resulting in an increasingly crowded and competitive market. This trend is occurring at the same time as Perth

renters are increasingly throwing in the towel and looking to buy while interest rates are low. Couple this with high demand from international and interstate investors and the result is local investors are having to step up their game - and maybe even change their strategies - to secure the best properties.

For example, while development properties were once a great place to focus on for investment, the change in homebuyer behaviour, along with other factors, has made this particular strategy very popular - to the point that fixating on it as a recipe for success can be a massive mistake. In the current Perth market, a true investor needs to get re-educated, stay focused and unemotional, be patient and delve into the data.

Most investors know that buying property should not be a beauty pageant; it needs to be a clinical assessment of the balance sheet mixed with a healthy dose of market research. However, when things get competitive, it can spark an irrational fear that you'll 'miss out' and that can lead to cutting corners and, ultimately, a poor, underperforming property purchase.

The message is that the changing landscape makes the fundamentals of snapping up a great investment property more important than ever, and a comprehensive checklist - as well as an independent, specialist adviser in many cases - will be your best friend.

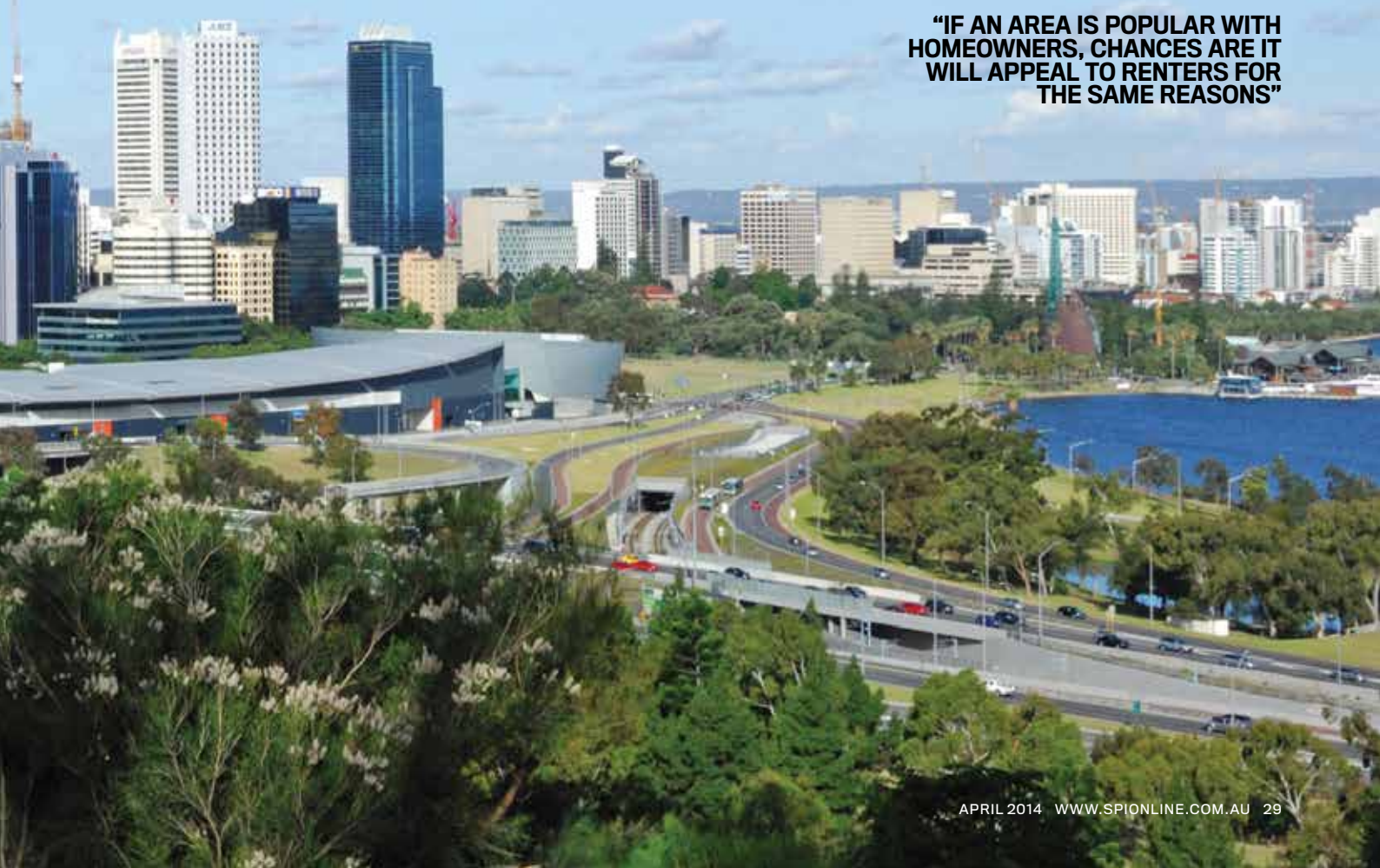
If you're investing in Perth at the moment, there are a few things you need to do to come out on top.

Find under-priced areas close to urban centres

As homebuyers now also turn their attention to areas where a majority of the population wants to live, zeroing in on the right location for an investment property is paramount. Considering the ideal location means not only opting for suburbs close to the coast or river, and near to business hubs (where possible), but also those that have easy access to shops, transport hubs, parks, entertainment and dining options, medical facilities, day care centres and schools.

These attributes will always remain high on the priority lists of those looking to rent or buy, making homes

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that tick these boxes ideal places to park your investment dollars.

If an area is popular with homeowners, chances are it will appeal to renters for the same reasons, thus expanding your net for catching a tenant.

In recent years, many renters have been less likely to be content with a pad simply because it meets their budget. Now, a greater majority of renters choose to live in a place they enjoy. You should also consider the location within the suburb and opt for those in superior streets or areas, as this can affect rental rates and resale values.

Embrace auctions

As auctions become more popular in the Perth property market, you can no longer afford to avoid homes being sold this way.

Get educated to ensure the best investment property doesn't slip past you at auction. Auctions can be better value than a private treaty sale because you know what other buyers are offering and can offer just enough extra to secure the property. If you don't feel confident in the auction arena, get a professional to help you out - it may even save you money.

Homebuyers are also often intimidated by auctions, so you could stand to gain from a less competitive environment. Auctions can be tricky though, so do your research.

Opt for extras

There may be a trend towards smaller households, but spacious homes (generally with a minimum of three bedrooms) increase your potential tenant pool considerably. Spacious homes can suit couples or singles and also open up the option of renting to families.

A home that is, or has the potential



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to be, aesthetically appealing from the street, is also a plus. Furthermore, in this 'want it all' age, air conditioning, ample parking and modern security are high on the must-have list too.

Land still reigns

The land-to-building ratio remains the king of great investment property selection. Land is the key driver of capital growth, so aim for properties where the land value accounts for at least 70 per cent of the total value of the property.

Grasp key growth drivers

When assessing the likely capital growth for the suburb you are looking at, take into account future plans and upgrades for the area, and infrastructure changes such as roads, highways, railway stations and bus routes. Stick to the facts and consider how infrastructure, demographics, economic and social trends may affect the price growth of both the individual property as well as the greater area. You should also be sure to look at both long- and short-term historical suburb price growth.

Don't miss the point

One of the most over-looked steps when leaping into property investment is deciding what you want to achieve from the investment! Carefully consider why you want to buy a property and what you expect to get from the purchase. Finding out and then staying focused on your final outcome will pave the way for making unemotional assessments, letting the best option for you 'choose itself'.

Crunching costs

Many people shy away from doing the math involved in property investment because they don't like or understand figures. Of course, crunching the numbers is critical and allows you to decide if you can afford the holding costs - including renovation, upgrade or maintenance costs - of a particular property. Believe it or not, many investors forget to factor in purchase costs such as stamp duty, mortgage and settlement costs, and property management costs. Don't make that mistake!

Getting the edge

Forming relationships and networks with trusted agents is often the last piece of the puzzle required to get the edge in property investment. As it is often the only way to get a heads up on what is coming on to the market, make sure you have spent time getting those 'in the know' on your team. Don't forget that the sales agent represents the seller and they cannot ethically bat for you, so try to have someone who is truly on your side.

While the landscape is changing, Perth's property market remains ripe with opportunities for both new and seasoned investors. Staying focused yet flexible is the way to win - and remembering that money is made in the market, not on the sidelines. ■



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