



Herron
Todd White

Independent Property Advisors

Westpac

PROPERTY REPORT

Western Australia



Introduction

The Australian property market is experiencing mixed fortunes, and while 'upgraders' have taken over from first home buyers in many areas, the state of markets around the country is far from uniform.

Buyers in many areas remain hesitant following a string of interest rate rises with the possibility of more to come. Concerns over European debt woes, and the possibility of wider economic fallout also weighs heavily on the market.

In some areas where financial impact of tourism is particularly important, for example coastal Queensland and the south coast of West Australia, property markets remain generally subdued post the Global Financial Crisis.

Friction between the Federal Government and the mining industry had a negative impact on property markets in resource-rich regions, with many buyers adopting a 'wait and see' approach. However, with a more conciliatory new Prime Minister, and a lower rate of mining tax than originally proposed, property markets in mining regions may strengthen.

'Upgraders' fill the gap

One of the key features of today's market is a marked slowdown in first home buyer activity following the cutback in government incentives at the end of 2009. In many parts of Australia, prices at the low end of the market rose steeply throughout 2008/09 reflecting increased activity among first home buyers. In some cases prices rose beyond the value of the additional incentives, however, without continued strong demand from first home buyers, values at the lower end of the market could remain static for some time.

Upgraders are tending to fill the gap left by first timers, buoyed by increased home equity – the result of several years of strong price growth. The challenge for many upgraders may be selling their existing home. This is especially the case for owner occupiers whose properties are in the lower price ranges that traditionally appeal to first home buyers.

Yields rising

One positive outcome of a cooler market is an increase in rental yields through lower prices. This may see investors take the lead as the main market driver in the months ahead, particularly if home affordability worsens as a result of future interest rate rises.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

Western Australia

Despite strong ties to Australia's resource sector, many areas of Western Australia depend on tourism and as a result, the state's fortunes vary in line with location.

Perth

Upgraders have stepped back into the Perth market, taking over from first home buyers as the key driver. Notwithstanding this, the market overall could best be described as adopting a 'holding pattern' as most segments remain cautious.

This hesitance reflects the normal seasonal cycle however it is also a function of higher interest rates and the likely impact of potentially higher mining tax. Perth agents are reporting very low numbers at open home inspections and there is more erratic movement in daily valuation requests.

As the Perth market emerged from the financial crisis, the market experienced strong buyer resurgence and values were quickly pushed up to near-boom levels. More recently this optimism has been replaced by a sense of caution.

First home buyer numbers have declined significantly following the tapering off of additional financial incentives. This has seen the under-\$500,000 market struggle to regain lost ground. In particular, Rockingham, Mandurah and surrounding areas are suffering heavy decreases in value and an oversupply of stock.

Perth currently holds the record for Australia's highest house sale price – a riverside mansion that sold for \$57 million earlier this year. Along with an extensive land holding, the property has a wealth of features including boat house, cinema and pool.

At the lower end of the market, the entry level price for a 300 to 400 sq metre vacant lot in a new subdivision on the fringe of Perth is around \$160,000 to \$170,000.

The CBD apartment market and near-city locations are providing the best rental returns at present.

Once the current issues of uncertainty are resolved, the Perth market is expected to burst out of the blocks owing to pent up demand. Already there are indications that bargain hunters are on the lookout again.

“Once the current issues of uncertainty are resolved, the Perth market is expected to burst out of the blocks owing to pent up demand.”



Busselton and Bunbury

To the south of Perth, the popular coastal holiday town of Dunsborough has seen significant upgrader activity with the majority of sales occurring in the \$500,000 to \$800,000 range.

The bulk of sales in Busselton are for properties valued between \$350,000 and \$500,000, while activity in Bunbury is concentrated in the \$200,000 to \$500,000 price bracket.

Values in the south coast region have generally remained stagnant. The median value of Dunsborough has dropped though this is a reflection of reduced sales in the \$1 million-plus price range. Overall, the area is feeling the pinch of an uncertain economic environment, which is affecting regional tourism.

Among the region's highest valuations, a 1979 sq metre vacant lot with direct beach frontage in Siesta Park, sold for \$3.1 million.

Bunbury's rental market is tightening in response to an expansion of mining activity. Most notably there has been a marked increase in demand for fully furnished rental properties.

Source: Herron Todd White

Cover photograph kindly supplied by the City of Bunbury.

The information in this report has been prepared by Herron Todd White. The information is current as at the publication date only. Westpac Banking Corporation accepts no responsibility for its accuracy or completeness.

The information contained in this report is provided in good faith and has been derived from sources believed to be reliable and accurate. However, the report is not intended to be comprehensive or render advice and neither Herron Todd White nor any persons involved in the preparation of this report, accepts any form of liability for its contents.

This report is Copyright, and cannot be reproduced without written permission of Herron Todd White.

© Herron Todd White Copyright 2010

58 Offices, 600 People, Every State & Territory

Looking for peace of mind with your property decisions? Ask Herron Todd White to help. From pre-purchase property valuations to tax depreciation schedules for investors, from commercial, to residential, to rural property, we have someone in your corner working for you.

PH 1300 880 489

htw.com.au

admin@htw.com.au

HERRON TODD WHITE
WESTPAC PROPERTY REPORT
WESTERN AUSTRALIA
JULY 2010