

March 10, 2020

### **National sentiment hits a high amongst Australian property investors**

- 68% of investors show positive sentiment towards home market
- Confidence highest in Queensland, Victoria, Western Australia and South Australia
- Perth seen as city with strongest long-term outlook, but Brisbane most popular with active investors
- Growing preference towards brokers as finance remains a barrier to entry

Home sentiment in Australia's property markets has reached a new high, according to a survey from Perth-based property investment consultancy, Momentum Wealth.

The annual survey collected 401 responses from property investors across Australia, with 68% of respondents indicating it was a good time to buy in their home market.

This marked a significant spike in confidence from previous surveys, with only 53% of respondents indicating positive sentiment towards their capital city market the year prior, and just 44% the year before that.

Confidence was highest in Queensland, Victoria, Western Australia and South Australia, with Brisbane recording the largest home preference at 81%.

Team Leader of Momentum Wealth's buyer's agents, Emma Everett, said the uplift in sentiment is likely due to a number of shifts in Australia's different property cycles.

"All of the capital cities which recorded a home preference in this year's survey were either in the growth phases of their property cycle, or entering recovery with growth anticipated in the short to medium term, which likely contributed to the positive outlook in these respective states," she said.

### **Perth, Brisbane seen as cities with best prospects**

While confidence rose most in Melbourne (up 7% from last year's survey), investor interest remained highest in Perth and Brisbane, with 37% and 26% of respondents respectively choosing the capital cities as the best locations to invest in the next 12 months.

Mrs Everett said the growth opportunities each location presented, as well as their relatively affordability, likely contributed to continued interest in the capital city markets.

"While Brisbane's property market has been recording steady growth for some time, continued improvements in rental conditions and a significant tightening of stock in Perth's housing sector are now driving the consensus that the property market is moving into recovery phase, with savvy buyers realising the counter-cyclical opportunities at hand."



"Investors are also recognising the value for money these markets offer, especially in comparison to places like Sydney where prices remain significantly overvalued and affordability constraints are pushing buyers out of the capital city market in favour of regional or state alternatives," she said.

While Momentum Wealth's survey showed that Brisbane was most popular with investors actively seeking opportunities, Perth was seen as the city with the best long-term prospects by a significant margin, with 61% of respondents ranking the Western State as the location with the highest three-year growth potential.

Mrs Everett said a number of factors are contributing to a strong long-term outlook for Perth's residential housing sector.

"While we're already seeing early improvements across Perth's rental and capital markets, rising activity in the mining sector, increased infrastructure spending and early signs of accelerated population growth are providing strong indicators for the market's future performance," she said.

### **Finance remains biggest barrier to entry**

While sentiment was optimistic across Australia's property markets, the survey showed that finance remained a barrier to entry for a large proportion of buyers, with 38% of investors highlighting lack of equity or borrowing issues as factors preventing them from entering the market in the shorter-term.

Team Leader of Momentum Wealth's finance team, Caylum Merrick, said complexities in Australia's lending environment could also be behind the growing popularity of mortgage brokers.

"We've seen some big changes in Australia's lending market in recent years, first with APRA regulations and the Royal Banking Commission, and while lending restrictions have now been somewhat loosened with interest rate cuts and the relaxation of serviceability buffers, investors are recognising that the lending market isn't cut and dry,"

"A lot of buyers, and especially those in more complex finance situations, aren't just looking at securing a loan, they are seeking additional guidance and support in navigating the changing market and strengthening their financial position, which is where they are realising the benefits of approaching a mortgage broker" he said.

At 68%, the vast majority of investors surveyed said they would engage a mortgage broker to secure their next investment loan over other lending options, with only 19% indicating they would approach their bank directly.

### **Strong appetite for commercial property**

The survey also revealed a strong appetite for diversification amongst investors, with 47% of respondents highlighting a blend of capital growth and cash flow as their preferred investment strategy.



The number of respondents who would consider investing in commercial property was also high, with just over three quarters who hadn't been exposed to the sector indicating they would consider doing so either through direct or syndicated investment.

David Ellwood, Managing Director of Perth-based commercial funds management company, Mair Property Funds, said investors are recognising the benefits of commercial property over other cash flow-focused investments.

"With the low interest rate environment pushing returns on interest-bearing investments such as government bonds and term deposits below 2%, yield-focused investors are looking towards alternative income-generating options, and with potential yields of 5.5-7.5%, commercial property is presenting an attractive alternative," he said.

Mr Ellwood says this, combined with the high entry cost of investing in commercial properties directly, could explain growing interest in commercial property funds.

"While investors are seeing the potential benefits commercial property can offer in terms of portfolio diversification and exposure to income-focused assets, investing in these assets directly isn't always a viable option due to the high entry cost and market knowledge required, which is where pooled investments can present a more feasible alternative," he said.

"These investments can allow buyers to gain exposure to high-quality assets at a lower cost and with the additional benefit of a professional management team, but buyers still need to weigh up each investment carefully as the risk can vary depending on the investment type and management team involved," he said.

The survey results showed that 63% of investors would consider pooling money together in a syndicate or trust to access high-net worth investments such as commercial assets, up 6% from last year's survey.

### **Good opportunities ahead for property investors in 2020**

Overall, the results of Momentum Wealth's annual survey revealed an increasingly bullish sentiment among Australian property investors.

"There are exciting times ahead for property investors in 2020 with a number of markets showing strengthening growth prospects, but careful decision-making and the right advice will be key for those looking to take advantage of market opportunities," said Mrs Everett.

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For a copy of the survey report or to arrange an interview with any of our spokespersons, please contact Megan Caswell via the following details:

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**About Momentum Wealth**

Momentum Wealth is a full-service property investment consultancy dedicated to helping clients accelerate their wealth through property investment by assisting them in the strategic planning, financing, acquisition, development and management of their residential and commercial investment properties.

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