

February 10, 2020

**Perth seen as property market with highest growth potential in annual survey**

- Perth and Brisbane top picks for investors in next 12 months
- 61% of investors back Perth as best capital city market for three-year growth
- 68% of respondents believe it's a good time to buy in their home market
- Investors show growing preference towards brokers as finance remains a barrier to entry

Property investors are backing Perth as the property market with the strongest outlook, according to an annual survey from property investment consultancy, Momentum Wealth.

The survey collected 401 responses from property investors across Australia, with 37% of respondents outlining the capital city market as the best place to invest in the next 12 months, and an overwhelming 61% ranking Perth as the market with the highest growth potential in the next three years.

Brisbane received the second highest proportion of votes from respondents, with 26% highlighting the capital city as their preferred location for investment as the market remained most popular amongst buyers actively seeking opportunities.

Team Leader of Momentum Wealth's buyer's agents, Emma Everett, said a combination of affordability, improving rental conditions and positive future indicators are likely behind the uplift in confidence in WA's property market.

"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 investors realising the counter-cyclical opportunities at hand."

"At the same time, longer-term indicators such as rising activity in the mining sector, increased infrastructure spending and early signs of accelerated population growth in Perth are providing healthy indicators for the market's future performance, with the latter in particular expected to drive higher levels of demand in the medium term" she said.

**National sentiment at a high**

While Perth and Brisbane emerged as the leading choice for overall respondents, the survey showed that confidence as a whole had risen across Australia's property markets, with 68% of respondents indicating positive sentiment their home State compared to just 53% in the previous survey.

Team Leader of Momentum Wealth's buyer's agents, Emma Everett, said the uplift in sentiment is likely due to shifts in Australia's different property cycles, but advised investors to remain diligent in their investment decisions.



"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.

"However, in any market, and especially in recovering markets, not all properties are going to perform equally, so investors need to ensure they are selecting areas and properties with the right long-term growth fundamentals in place." she said.

### **Lack of equity hinders Perth investors**

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.

This was especially the case in Perth, where 39% of investors highlighted 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 investors unable to progress with their portfolio should focus on debt consolidation strategies.

"Although buyers are recognising Perth as a good investment option given current levels of affordability and the positive future growth outlook, some investors also aren't in a position to make an immediate move as they haven't been able to build the equity due to softer market conditions."

"While recent interest rate cuts and improving rental conditions are helping to alleviate some of these financial pressures, investors who are lacking the equity to progress should focus on debt consolidation strategies, as well as reviewing their existing lending solutions for potential opportunities to reduce repayments," he said.

Mr Merrick said this, combined with 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 seeing 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.

### **Commercial property still an attractive option**



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 advantages 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, but Mrs Everett advises buyers remain diligent in their investment decisions.

"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.

---

FOR IMMEDIATE RELEASE



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

**Media contact**

Megan Caswell  
Media coordinator  
Momentum Wealth  
(08) 9221 6399  
0432610742

[meganc@momentumwealth.com.au](mailto:meganc@momentumwealth.com.au)  
Office Address  
Level 2, 1 Havelock Street,  
West Perth, 6005

**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.

[www.momentumwealth.com.au](http://www.momentumwealth.com.au)