

Originally published on buildaustralia.com.au

Property investment boom in WA gains momentum - Build Australia

Build Australia

October 10, 2023

5–7 minutes

New data has revealed investors are buying up Western Australian property in droves – and there are three reasons why the momentum looks set to gain pace.

MCG Quantity Surveyors analysed client data to identify how investor activity has shifted in 2023 and the results show a resounding move west.

[MCG](#) Managing Director Mike Mortlock said: “It’s been really substantial and doesn’t look like slowing anytime soon. We compared client investor activity across the first quarters of 2022 and 2023, and this revealed a seismic shift away from east coast property investment.”

According to MCG’s numbers, in Quarter 1 2022 just over 9 per cent of investor activity was in Western Australia. In Quarter 1 2023, that proportion rose to 32 per cent.

“From what we can determine, Western Australia’s significant jump has come at the expense of New South Wales and Queensland. The proportion of activity in New South Wales fell by almost 10 per cent between the first quarters of each year. It’s worth noting, however, that every state and territory except the ACT has lost a proportion of their investor activity to Western Australia,” said Mortlock.

Mortlock said investors had also become increasingly mobile in their decisions and shifting focus to markets beyond their home jurisdictions had never been easier.

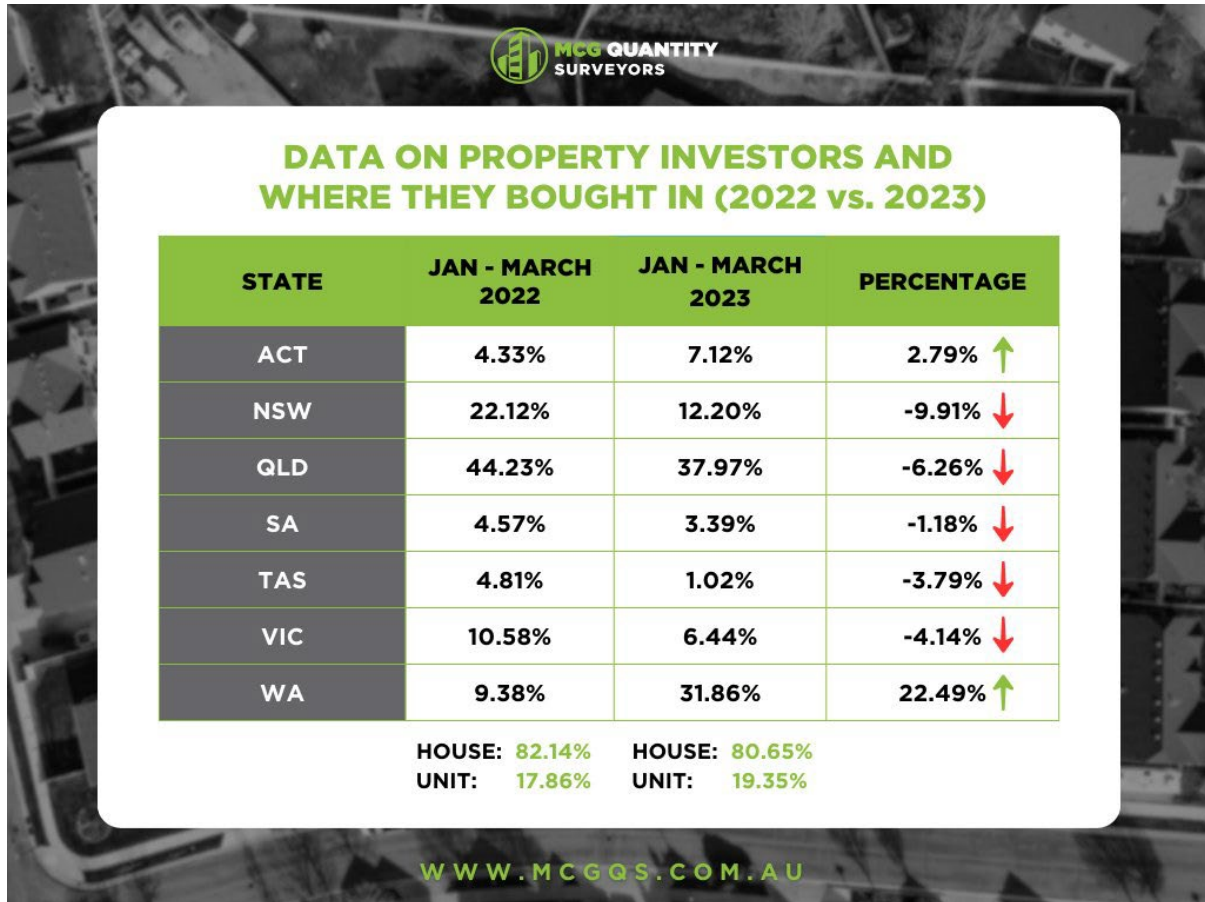
“Investors have become highly mobile and more discerning about where they buy. Research we completed early in 2023 shows investors are embracing long-distance investing. Our figures revealed the average distance between where people live and where they buy an investment was 857 kilometres for the year to February 2023. This is up from 559 kilometres in the year to November 2021 and 294 kilometres in the prepandemic period to January 2020,” said Mortlock.

According to Mortlock, his results on WA’s rise in investor popularity also aligned closely with outcomes from the recently released Property Investment Professionals of Australia (PIPA) 2023 Investor Sentiment Survey.

“A combination of our data and the PIPA results resoundingly demonstrates Western Australia’s dominance in attracting property investors. PIPA’s numbers showed that 24.8 per cent of investors sold one or more properties in Melbourne last year, followed closely by Brisbane at 23.3 per cent.

“When it came to desirable investment locations, 25 per cent of respondents picked Perth as their preference – the number one choice among all the capital cities,” said Mortlock.

Mr Mortlock attributed Western Australia coming out on top to politics, population and affordability.



“Queensland and Victoria have been implementing rigorous tenancy legislation. In addition, talk around limiting or freezing rents has put investors on edge – particularly in Victoria,” said Mortlock.

The PIPA survey asked investors to rank each state and territory government from best to worst in terms of positively supporting property investment, and Western Australia came in second behind South Australia for desirability based on government policy.

“In 2022, Queensland implemented, then ultimately repealed, land tax amendments that would have increased some investors’ tax liabilities by thousands of dollars. During the 98-day period between implementation and repeal, our client analysis showed Queensland went from attracting 40.9 per cent of all investment transactions among our cohort to 33.6 per cent of transactions – that’s a 7.3 basis point fall. Despite the tax being repealed, the rot had set in. After rescinding the legislation, Queensland only bounced back to 34.7 per cent of all investment transactions. In contrast, our analysis shows that Western Australia saw its proportion of Aussie investor transactions double during that period,” said Mortlock.

The ABS's latest Net Interstate Migration analysis reveals that for the 12 months to the end of March 2023, a total of 35,857 people left New South Wales and Victoria.

“Meanwhile, Western Australia saw its net internal migration increase by around 10,000 per year – the second highest increase in the country. Throw in Australia’s immigration intake which has seen overseas arrivals reach record highs.

“We expect many will end up settling in Western Australia. This influx of new “Westerners” is fuelling demand for accommodation in what is already a tight rental market. The current rental vacancy rate in Perth is just 0.4 per cent which makes it the nation’s tightest capital city market. The result will be higher rental returns and, in due course, strong capital gains,” said Mortlock.

CoreLogic’s numbers to the end of August 2023 show Perth’s median house price is the seventh most affordable of the nation’s eight capital cities.

“The median house price in Perth is a staggering 45 per cent lower than Sydney’s. Relative affordability combined with excellent underlying fundamentals is a magnetic combination when it comes to attracting investor dollars. The combination of rising rents, investment affordability and tighter vacancy have also resulted in Perth enjoying the nation’s second-highest gross rental yield.

“CoreLogic data to July 2023 shows Perth’s rental yield hit 4.9 per cent. That’s 1.8 per cent more than Sydney and 1.4 per cent higher than Perth,” said Mortlock.