
LOOK TO LOWER QUARTILES

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Housing affordability seems to be well and truly on the national agenda. There is lots of discussion around the costs involved and the challenges faced by first home buyers to enter the market.

Yet some of this discussion is misguided, particularly when it focusses on the median house price as a guide to the costs in various suburbs.

It's important not to use the median house price as the only guide because the median is the middle point in the market. This means half of all sales are under the median price.

While the median house price in Perth is now around \$547,000, this still means that 50 per cent of sales are under this price. It doesn't mean you need more than half a million dollars to buy a house in the metropolitan area.

It's also important to recognise that first home buyers usually purchase homes well under the median price. The Office of State Revenue data for May shows that the median point for entry-level buyers was \$450,000 in the metropolitan area and \$366,000 in the regions.

Even the median purchase price for first home buyers means that half of all entry-level buyers are paying under these amounts.

It's far more useful for first home buyers to look to the 'lower quartile', or bottom 25 per cent, of the more affordable homes to get a better perspective of what's available at more accessible prices.

For example, the reiwa.com data for the year to March shows that in the North-west sub-region of Perth, including the cities of Wanneroo and Joondalup, the lower quartile for a house was \$455,000 and for a unit or villa it was \$340,000.

Even within this large and popular sub-region there are individual suburbs which were well under the lower quartile for this local region. Through the cities of Joondalup and Wanneroo, Merriwa is the cheapest area for houses with a lower quartile at \$358,000, while Currambine has the most accessible lowest quartile for apartments and villas, at \$310,000.

While in the South-east sub-region through the local government areas of Gosnells, Armadale and Serpentine-Jarrahdale, the lower quartile for houses is \$370,000 and for apartments it's \$278,000.

Buyers should not be put off by the overall median price for a region or suburb, but look to the lower quartile for opportunities in areas they might initially think are out of their price range.

The other advantage of being able to buy a more affordable home in an area with a generally higher overall median price, is that your percentage of capital growth over time can often be better than if you had purchased at that suburb's median price.
