Timing - the crucial element

The old adage location, location, location, still rings true.

It is an essential element of successful property investment.

However, of equal importance is **timing**.

Understanding where a city is in the property market cycle is crucial if you are to time your purchase to take advantage of market swings.

Obviously, you want to buy when the market is first rising, not when it has peaked.

So, how do you determine what market represents optimum timing?

❶ Evaluate current property cycles to determine which city has 'bottomed out' and has demonstrated its first rise

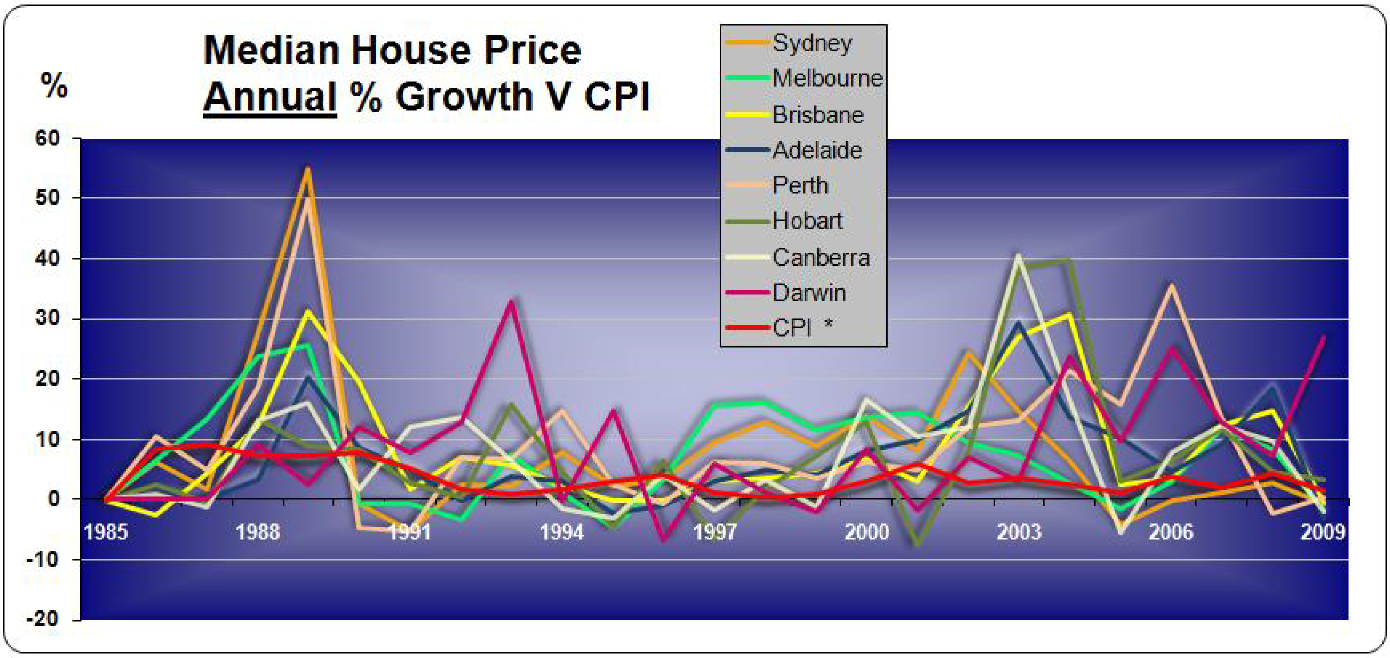
❷ Of these cities, you should look for those that have predictions for significant population growth over the next cycle (7-10 years).

❸ Then examine current and forecast new stock levels - it needs to be either neutral or deficient to the demands of local population growth - certainly not excessively in surplus

❹ And a market that displays a level of pent-up demand.

If this criteria is positive - then **now** is the time to buy selected property in that region, providing the property is designed and priced relevant to the demands of its local market.

Let's look at the current position of property market cycles in our capital cities.



Source: REIA "Market Facts"

The chart above plots the annual percentage change to the median house price (MHP) in our capital cities.

You will note that MHP performance in our cities is rarely, if ever, synchronised.

One city is levelling off while another is rising.

Astute property investors avoid the peaks and falls, only buying when a market has bottomed and has had its first rise.

So, where are Australia's capital cities in the current market cycle and which cities are poised to offer the greatest capital gain over the next term?

Review our Market Comment for an update.