

# WHY PERTH?

## MARKET COMMENTARY H2 2014

### Location

Located in Western Australia, Perth is the largest state by geographical area and the fourth most populated city in Australia behind Sydney, Melbourne, Brisbane but ahead of Adelaide.

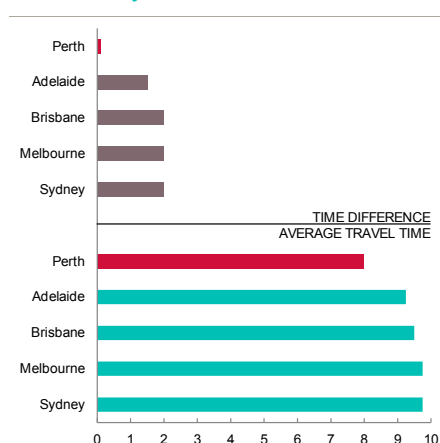
The state is bound by desert to the east and pristine coastline along the west coast, with Perth Central Business District (CBD) enjoying close proximity to the coast whilst situated on the stunning Swan River. Over the year, Perth generally has more sunny days than other Australian capital cities. Most days in summer exceed 30°Celsius whilst the winter months are cooler, with daytime temperatures reaching circa 20° Celsius.

This balmy climate allows for a laid-back environment with locals soaking up the comfortable weather in the many cafés along vibrant shopping strips, down at the beach, bushwalking or riding bikes with the family amongst the native flora and fauna or relaxing in one of the local parklands. Most notable is Kings Park adjoining the city skyline, with a high vantage point over the Swan River and Perth CBD. Watching unrivalled sunsets to the west is very popular amongst tourists and locals alike, as the lights regenerate the business district to the east.

Perth is the closest major Australian capital city to Asia, allowing easy connection on towards the European continent, and falls into the same time zone as capital cities such as Singapore, Hong Kong, Beijing and Shanghai.

From Perth, average flying travel time is

FIGURE 1  
Hours to Major Asian Cities



Source: Knight Frank Residential Research

approximately five (5) hours to Singapore, eight (8) hours to Hong Kong, nine (9) hours to Shanghai and ten (10) hours to Beijing. Major capital cities on the east coast of Australia average almost ten (10) hours as set out in Figure 1.

Drilling for oil and gas, as well as, mining of gold, iron ore and other commodities are still extracted from Western Australia; although the height experienced in recent years has tapered back. Many are still actively employed in this field; from locals and those who fly-in and fly-out from across the country and stay temporarily.

### Liveability

Three quarters of Western Australia's population live in the capital of Perth. Over the

next 30 years this population is projected by the Australian Bureau of Statistics (ABS) to rise annually by 3.5% to 4.2 million persons, outstripping the projected annual Australian average of 1.7%. Of this population, Western Australia currently records an unemployment rate of just 5.2% against the Australia total of 6.4%, in July 2014.

Families with children have a wide range of prestige schools available in the Perth area, colleges include but not limited to Methodist Ladies, Scotch, Presbyterian Ladies and Shenton.

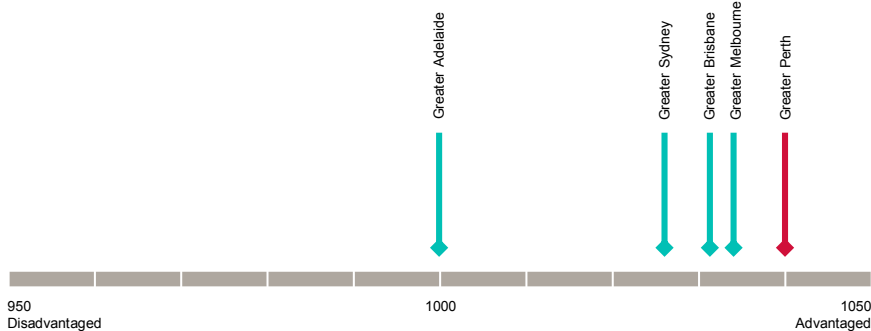
Further based on reputation, ratings and results, University Reviews Australia has ranked four Perth Universities in the top twenty across Australia. University of Western Australia, with beautiful grounds, ranked #3 on the list, whilst lesser known University of Notre Dame, ranked #11 and ranked #16 was Edith Cowan University. Also known for its Chinese gardens and Moon gate pavilion, Murdoch University ranks #20 and Curtin University is in #22 place. Well-known internationally, Murdoch University had approximately 39% of enrolments from international students in 2012, whilst Curtin University (36%) and University of Western Australia had 22% international students enrolled.

Produced by the ABS, the Index of Relative Socio-economic Advantage and Disadvantage summarises information about the economic and social conditions of people and households within an area around Australia, including both relative and advantage and disadvantage measures.

The five major capital cities across Australia have been averaged and charted in Figure 2, with Perth being the most Advantaged



FIGURE 2  
Index of Relative Socio-economic Advantage and Disadvantage, 2011



A Low Score Index indicates Most Disadvantaged whilst a High Score Index shows the Most Advantaged.

Source: Knight Frank Residential Research, Australian Bureau of Statistics

across Australia, with 1040, whilst Adelaide recording the most Disadvantaged, in-line with the base of 1000.

## Apartment Market

Perth has predominately been a single dwelling market with only a rise in apartment approvals over recent years. The trend towards inner city living with residents wanting to work closer to where they live, has been emerging across the country and is likely to continue with younger generations and accommodating the needs of the older population wanting to downsize but still be part of the buzz of the inner city, accepting more higher density living.

Although unlike the east coast, apartments make up about one tenth of new supply, whilst this is closer to a quarter of all new supply in Melbourne and Brisbane, and half of all new building approvals in Sydney.

As Perth catches up, more apartments will be needed in the future to meet demand for this higher density product.

Over the past ten years Perth has experienced 7.4% growth in apartment prices in tune with the vast demand that has come with the resources sector. This outstripped Melbourne at 5.4% and Adelaide at 5.2%, both also coming off lower bases,

and Brisbane at 4.3% and Sydney at 4.1%.

An upward movement in rents has also been experienced in Perth witnessed at \$440 per week at current, behind the weekly rents achieved in Sydney at \$525. Melbourne and Brisbane weekly rents achieve closer to \$395 and \$380, respectively.

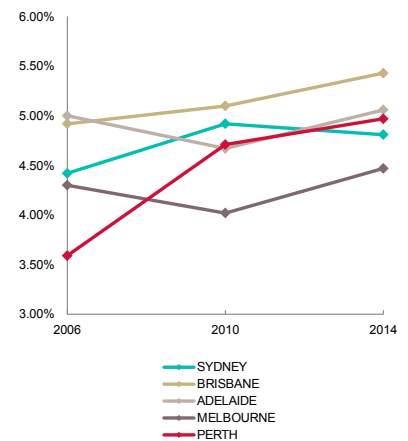
Over the last eight years gross rental yields have overall mostly trended upwards across the major capital cities as shown in Figure 3. In 2014, Perth apartments recorded the best overall eight year period for gross rental yields, up 138 basis points since 2006 to currently yield 4.97%, and increasing 26 basis points over the past four years.

Brisbane was the next best capital city for the eight year span, up 51 basis points to achieve a rental yield of 5.43%. Sydney followed with a rise in yield of 39 basis points over the

period, but since 2006 it had contracted 11 basis points due to a escalation of capital values over the past two years.

With a subdued 17 basis points rise in rental yields since 2006, Melbourne has achieved the best recovery in rental yields over the past four years to currently rank last with 4.47% although this is likely to remain stable over the coming twelve months. After a dip in 2010, Adelaide has returned to a gross rental yield of 5.06% similar to that achieved in 2006.

FIGURE 3  
Gross Rental Yields



The rental yield is the amount of rent you can expect to receive in a year, expressed as a percentage of a property's value.

Source: Knight Frank Residential Research, Residex

## Key Statistics—Apartments

Capital City	Median Value (\$)	Rent (\$)	Yield (%)	10Y Capital Growth (%)
Sydney	568,500	525	4.81	4.1
Melbourne	462,500	395	4.47	5.4
Perth	462,000	440	4.97	7.4
Brisbane	363,500	380	5.43	4.3
Adelaide	311,500	300	5.06	5.2

Source: Knight Frank



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