

Perth Prime Residential Insight



Q2 2023

Knight Frank's quarterly analysis of the Perth prime luxury residential sales and rental markets

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► Growth in Perth's millionaire population over the past year equivalent to WA economic growth forecast in 2023

-1.8%

Growth in Perth's ultra-high-net-worth individuals in 2022

+14 pts

Business conditions index points in March 2023

6.6%

Annual growth in March 2023 of new private business investment

Key drivers

WEALTH TRENDS

Perth's high-net-worth individual (HNWI) population, otherwise known as the millionaire population, grew by 4.2% in 2022, to 199,110 people with net wealth of more than US\$1 million according to the Knight Frank Wealth Sizing Model.

This population in Perth comprises 9.0% of the total Australian HNWI population, after being a slightly higher proportion at 9.5% five years ago.

Since this time, Perth's millionaire population has grown by 20.6%, although this is lower than the 28% Australian total growth.

The HNWI population is forecast to grow by a further 61.3% in Perth by the end of 2027, lower than the Australian growth of 71.1%, when Perth is expected to hold an 8.5% share of all Australian millionaires.

The ultra-high-net-worth (UHNW) population in Perth declined by 1.8% in 2022, to 1,716 people with net wealth of more than US\$30 million.

From 2017, the Perth ultra-wealthy population has expanded by 24.7%, although falling behind the Australian growth of 31.3%, where the Perth share of the Australian UHNW population has expanded from 10.3% to 9.8%.

The ultra-wealthy population is forecast to grow by a further 83.9% over the next five years across Perth, being more than the double the Australian UHNW population growth expected of 40.9%.

THE ECONOMY

Western Australia (WA) recorded economic growth of 3.1% in 2022 while unemployment in Perth stood at 3.8%, being 6 bps higher than a year earlier. Oxford Economics forecast economic growth to rise by 4.3% in 2023, 2.8% in 2024 and 3.1% in 2025.

Australia's stock market performance on the S&P/ASX 200 rose in the first quarter of 2023 by 2.0%, to arrive at total annual change of -4.5% over the past year.

The stock market is forecast to improve 2.4% by the end of 2023, before rising by a further 4.2% in 2024 and 3.0% in 2025.

Business conditions improved 2.5 pts in the March 2023 quarter to +14 index points in the NAB business sentiment survey. This was trending slightly higher than the +13.9 pts a year ago.

Company profits across Australia grew 19.2% in 2022, after recording 5.6% growth in 2021.

Annual company profits are forecast to fall by 3% in 2023, before falling a further 3.8% in 2024, although company profits are expected to recover by 2.4% in 2025.

New private business investment grew by 6.6% in the year to March 2023. This was higher than 4.6% annual growth six months earlier, and higher than 3.2% growth recorded a year ago.

LENDING ENVIRONMENT

The official cash rate on 6 June 2023 had been raised 50 bps over the past three months, to a target of 4.10% by the Reserve Bank of Australia. The Oxford Economics forecast for the official cash rate is to be reduced towards an average target of 3.94% by the end of 2024.

In the March 2023 quarter, average mortgage lending rates to owner occupiers increased by 3 bps to 6.27% for a 3-year fixed term loan and rose by 50 bps to 8.02% for a standard variable loan. For investors, a 3-year fixed term decreased by 1 bps to 6.32%, and a standard variable loan rose by 50 bps to 8.60% (RBA).

Established prime residential

- ▶ Prime residential annual sales in Perth higher than a year ago, bucking the downward trend of other major Australian cities

9.9%

Perth prime residential sales volume in March 2023 compared to a year ago

0.5%

The change in Perth's prime residential values in the year to March 2023

10.9%

Annual prime residential rental growth in March 2023 in Perth

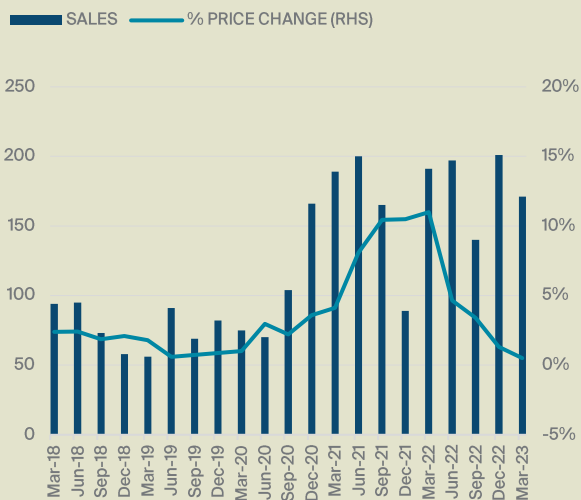
Prime Perth

PRIME SALES & PRICE PERFORMANCE

- ▶ Sales volume trended down 14.9% in the March 2023 quarter with 171 prime residential homes sold in Perth, although annual sales volume was 9.9% higher than a year ago with a total 709 sales.
- ▶ The average days on market for prime residential home stood at 77 days in the March 2023 quarter. One quarter ago, this was 71 days.
- ▶ Over the year ending March 2023, prime residential prices increased 0.5%, although was down 0.1% in the past quarter.

Perth Prime Residential Sales Market

No. prime sales per quarter & % annual prime price change



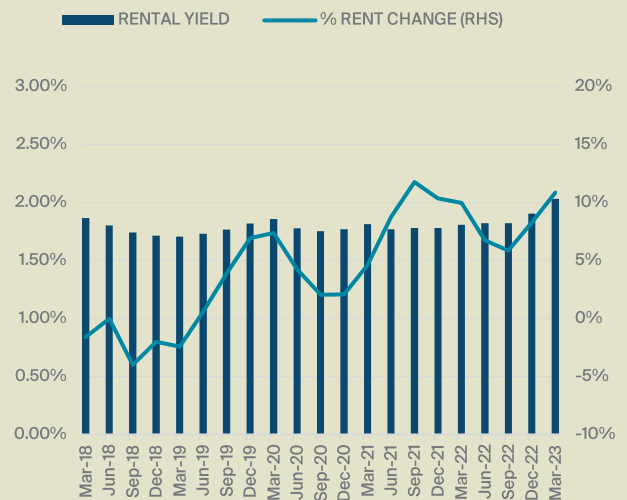
Source: Knight Frank Research

PRIME RENTAL MARKET

- ▶ Gross rental yields for Perth prime residential properties increased by 13 bps, to 2.03%, in the first quarter of 2023.
- ▶ Rents rose 5.0% for prime residential homes in the quarter to March 2023, and were up 10.9% over the past year.

Perth Prime Residential Rental Market

Prime gross rental yield & % annual prime rental change



Source: Knight Frank Research

Perth prime residential forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Economic Growth	5.4%	5.6%	4.3%	2.8%	3.1%	3.4%
Unemployment Rate	5.1%	3.7%	3.9%	4.2%	4.1%	4.1%
Cash Rate Target	0.1%	1.2%	3.8%	3.9%	2.9%	3.6%
Stock Market	17.5%	-1.7%	2.4%	4.2%	3.0%	3.2%
Company Profits	5.6%	19.2%	-3.0%	-3.8%	2.4%	-1.5%

Source: Oxford Economics

Perth Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Prime Price Performance	10%	1%	1%	2%	3%	2%
Prime Rental Market	10%	8%	13%	8%	6%	9%

Source: Knight Frank Research

All references made to dollars or \$ is Australian Dollars (AUD), unless stated.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Recent Research



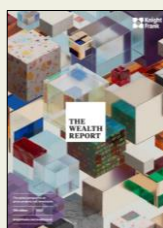
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Global Branded Residences Report 2023



The Wealth Report 2023 Wealth Populations Edition



The Wealth Report 2023



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