

Perth Prime Residential Insight

Q3 2023

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

knightfrank.com.au/research

Prestige home prices and sales volume growth outperforms the east coast

◆ Economy strong, although business sentiment down.

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 HNW 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%.

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 recorded economic growth of 3.1% in 2022 while the Perth unemployment rate stood at 3.5% in June 2023, trending 43 bps higher than the year earlier. Oxford Economics forecast economic growth to expand to 5.4% at the end of 2023, 3.0% in 2024 and 2.8% in 2025.

Australia's stock market performance on the S&P/ASX 200 rose in the second quarter of 2023 by 0.4%, to arrive at total change of 9.7% over the past year. The stock market is forecast to record 2.8% by the end of 2023, and a further 2.8% in 2024 and by 4.8% in 2025.

Business conditions declined 7.5 pts in the June 2023 quarter to +6.5 index points in the NAB business sentiment survey. This was trending close to half the +12.8 pts a year ago.

Company profits across Australia grew 19.3% in 2022, after recording 5.3% growth in 2021. Annual company profits are forecast to fall by 0.5% in 2023, before falling a further 5.8% in 2024, although company profits are expected to recover by 2.3% in 2025.

New private business investment grew by 8.0% in the year to June 2023. This was higher than 7.1% annual growth a quarter earlier, and higher than 2.2% annual growth recorded a year ago.

4.2%

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

+6 pts

Business conditions index points in June 2023

8.0%

Annual growth in June 2023 of new private business investment

LENDING ENVIRONMENT

The official cash rate on 5 September 2023 continued to see no movement, with 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 4.07% by the end of 2024.

In the June 2023 quarter, average mortgage lending rates to owner occupiers increased by 5 bps to 6.32% for a 3-year fixed term loan and rose by 50 bps to 8.52% for a standard variable loan. For investors, a 3-year fixed term increased by 18 bps to 6.50%, and a standard variable loan rose by 50 bps to 9.10%.

Perth prime established residential

◆ In the last quarter, Perth was the only city to shorten the average time a prestige home was on the market plus record an uplift in sales volume from a year ago, resulting in the best prime price growth across Australia's five major cities.

15%

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

4.0%

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

11.3%

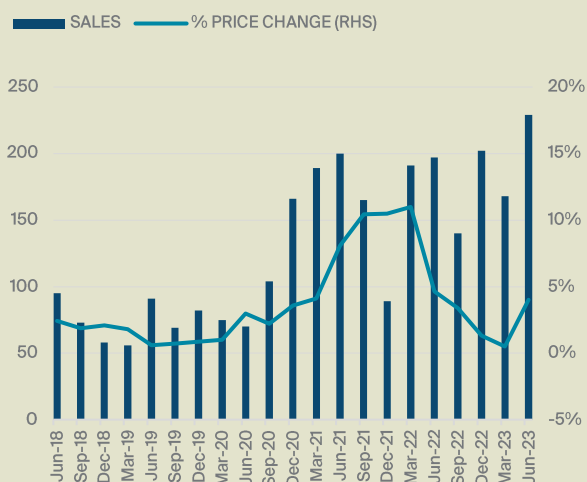
Annual Perth prime residential rental growth in June 2023

SALES & PRICE PERFORMANCE

- ◆ Sales volume trended 36% higher in the June 2023 quarter with 229 prime residential homes sold in Perth, while the 739 annual sales volume was 15% higher than a year ago.
- ◆ The average days on market for prime residential home stood at 72 days in the June 2023 quarter. One quarter ago, this was 77 days.
- ◆ Over the year ending June 2023, prime residential prices increased 4.0% and were up 3.6% in the past quarter.
- ◆ Prime prices are forecast to change by 5% at the end of 2023, 4% in 2024 and 4% in 2025 according to Knight Frank Research.

Perth Prime Residential Sales & Prices

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



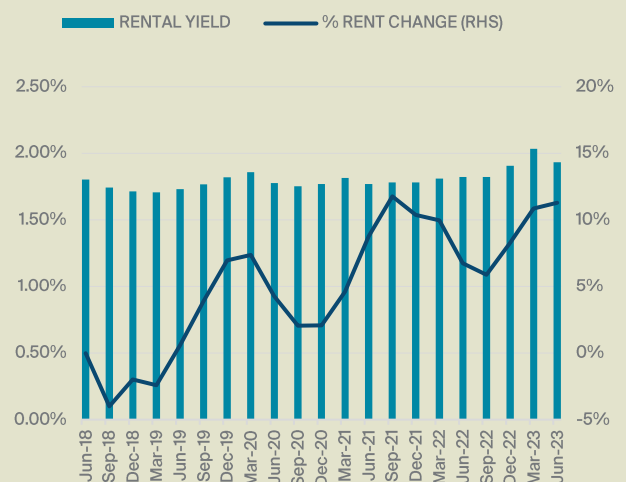
Source: Knight Frank Research

RENTAL MARKET

- ◆ Gross rental yields for Perth's prime residential properties tightened by 10 bps, to 1.93%, in the second quarter of 2023.
- ◆ Rents rose 0.7% for prime residential homes in the quarter to June 2023, and over the past year were up 11.3%.
- ◆ Looking forward, Knight Frank Research forecast prime rents to rise by 13% in 2023, with 8% growth likely in 2024 and 6% in 2025.

Perth Prime Residential Rents & Yields

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	5.3%	5.4%	↓ 3.0%	↓ 2.8%	↓ 3.5%	↓ 3.1%
Unemployment Rate	5.1%	3.7%	● 3.7%	↑ 4.3%	↑ 4.3%	↑ 4.1%
Cash Rate Target	0.1%	1.2%	↑ 3.8%	↑ 3.9%	↑ 2.9%	↑ 3.6%
Stock Market	17.5%	-1.7%	↑ 2.8%	↑ 2.8%	↑ 4.8%	↑ 3.5%
Company Profits	5.3%	19.3%	↓ -0.5%	↓ -5.8%	↓ 2.3%	↓ -1.3%

Source: Oxford Economics

Perth Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Prime Price Performance	10%	1%	↑ 5%	↑ 4%	↑ 4%	↑ 4%
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



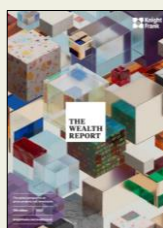
Australian Prime Residential Review



Global Branded Residences Report



The Wealth Report 2023 Wealth Populations Edition



The Wealth Report 2023



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