

# Perth Prime Residential Insight

Q4 2023

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

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## Perth experiences the best improvement in prime sales growth

◆ Key leading indicators point to stronger prime price growth.

### 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 (WA) recorded economic growth of 5.4% in 2022, while Greater Perth's unemployment rate stood at 3.1% in September 2023, being 43 bps lower than the year earlier (ABS). Oxford Economics forecast economic growth to taper to 2.1% at the end of 2023, 2.5% in 2024 and 3.6% in 2025.

Australia's stock market performance on the S&P/ASX 200 fell in the third quarter of 2023 by 1.9%, arriving at total change of 8.8% over the past year. The stock market is forecast to record 2.2% by the end of 2023, and 1.0% in 2024 and 6.0% in 2025.

Business conditions trended down 1.0 pts in the September 2023 quarter to +7.5 index points in the NAB business sentiment survey. By comparison, business conditions were +20.3 index points one year ago.

Company profits across Australia fell by 19.3% in 2022, after recording 5.3% growth in 2021. Annual company profits are forecast to fall by 0.3% in 2023, before falling by 4.2% in 2024, with 1.7% growth in 2025 (Oxford Economics).

New private business investment grew by 8.0% in the year to September 2023 (ABS). This was higher than 6.8% annual growth recorded a year earlier.

**-1.8%**

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

**+8 pts**

Business conditions index points in September 2023

**8.0%**

Annual growth in September 2023 of new private business investment

### LENDING ENVIRONMENT

The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023. This rate was 3.10% a year ago. Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

Over the year to September 2023, average mortgage lending rates to owner occupiers increased by 51 bps to 6.56% for a 3-year fixed term loan and rose by 175 bps to 8.52% for a standard variable loan.

For investors, a 3-year fixed term increased by 64 bps to 6.65%, and a standard variable loan rose by 175 bps to 9.10%.

# Perth Prime Established Residential

- ◆ Perth continues to fall short of prime luxury homes available for rent for the city's recent growing wealthy population which is resulting in strong rental growth and rising gross rental yields for investors.

**34%**

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

**3.8%**

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

**11.6%**

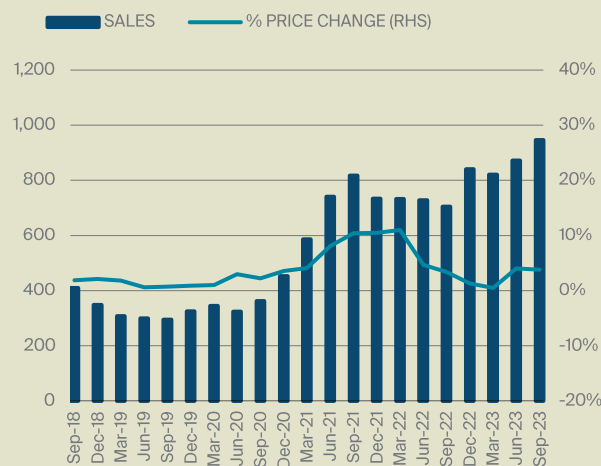
Annual prime residential rental growth in September 2023 in Perth

## SALES & PRICE PERFORMANCE

- ◆ Sales volume trended 13% lower in the September 2023 quarter with 240 prime residential homes sold in Perth, while the 946 annual sales volume was 34% higher than a year ago.
- ◆ The average days on market for a luxury home was 76 days in September 2023. This was 72 days three months earlier, and 68 days one year ago.
- ◆ Prime residential property prices increased 3.8% in the year to September 2023, while falling 0.6% in the last quarter.
- ◆ Looking forward, average prime prices are forecast to rise 5% at the end of 2023, with 4% in 2024 and 4% in 2025, according to Knight Frank Research.

### Perth Prime Residential Sales & Prices

No. annual sales & % annual price growth



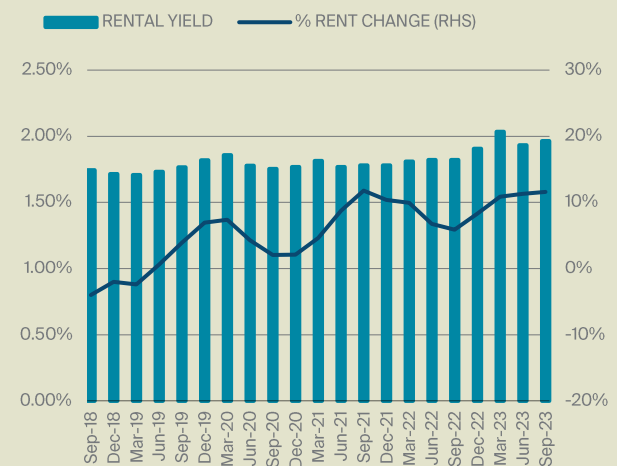
Source: Knight Frank Research

## RENTAL MARKET

- ◆ Gross rental yields rose 14 bps in the year ending September 2023, as Perth prime residential property averaged 1.96%.
- ◆ Prime residential rents increased 0.9% in the September 2023 quarter, while increasing by 11.6% over the past year.
- ◆ Knight Frank Research forecast prime rents to rise 13% at the end of 2023, with 8% likely in 2024, and 6% in 2025.

### Perth Prime Residential Rents & Yields

Gross rental yield & % annual rental change



Source: Knight Frank Research

# Perth Prime Residential Forecast

## Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
WA Economic Growth	5.4%	5.4%	2.1%	2.5%	3.6%	2.8%
Unemployment Rate	5.1%	3.7%	3.7%	4.3%	4.3%	4.1%
Cash Rate Target	0.1%	1.2%	3.9%	4.6%	3.9%	4.1%
Stock Market	18%	-2%	2%	1%	6%	3%
Company Profits	5%	19%	0%	-4%	2%	-1%

Source: Oxford Economics

## Gold Coast Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	10%	1%	5%	4%	4%	4%
Rental Market	10%	8%	13%	8%	6%	9%

Source: Knight Frank Research

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



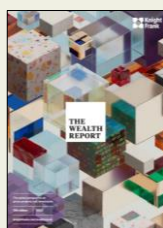
Australian Prime Residential Review



Global Branded Residences Report



The Wealth Report 2023 Wealth Population Edition



The Wealth Report 2023



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