



*City wealth trends*



*Prime sales, price and rental performance*



*Prime development pipeline & outlook*



# Perth Prime Residential Review

Q3 2020

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# PERTH PRIME RESIDENTIAL

*Despite the recession, mining activity has remained resilient with most commodities rebounding while iron ore prices continue to soar. What impact has this had on the prime rental market in Perth and prime price performance?*

Spurred on by low vacancy across Greater Perth, prime rents have continued with significant growth over the past year—the strongest growth of all major cities in Australia.

There was a notable uptick in new leases being signed by executives working in the resource and finance sectors in Q1 2019 and since this time, prime rents have grown by 7.1% and rental yields are up by 7 bps.

Prime annual sales turnover grew for a second consecutive quarter in mid-2020, while prime annual price growth was the strongest recorded since December 2014.

## Wealth trends

At the end of 2019, Australian **ultra-high-net-worth individuals** were expected to grow by 5.2% per annum, by the end of 2024.

According to the Knight Frank **City Wealth Index** for 2020 based on wealth, investment and lifestyle, Perth ranked 77th, from 100 global cities.

## Prime sales performance

Across Perth's prime regions, the **volume of sales** in the second quarter of 2020 tallied to 109 prime properties. This was 179% above the first quarter volume, and annually, up 7% over the past year.

The **average days on market** for a prime property in Perth was 144 days in the June 2020 quarter. This was 139 days one quarter ago.

## Prime price performance

**Capital growth** for prime property rose 3.0% over the past year to June 2020, with 2.3% growth in the last quarter. Globally, Perth ranked 12th from 45 cities for annual price growth.

At the end of June 2020, those buying with the New Taiwan Dollar were ranked most advantaged for a **currency** play when buying Perth prime property, with a 4% discount.

In terms of **relative value** at this time, one could buy 131 sqm of internal luxury floorspace in Perth for US\$1 million, compared to 51 sqm in Sydney, 34 sqm in London or 22 sqm in Hong Kong.

## Prime rental performance

**Gross rental yields** for Perth prime property trended down 8 bps to 1.78% over the June 2020 quarter. A year ago this yield was recorded at 1.73%. Over the quarter ending June 2020, **rental growth** fell 0.3% for prime property in Perth. Over the past year, rental growth increased by 4.6%.

## New prime development pipeline

In mid-2020, there had been 7,903

medium- and high-density **new apartments and townhouses** completed in Perth's prime regions since 2015. There are 6,985 more forecast by the end of 2024 in the pipeline; currently under construction or being marketed with DA approval.

In this pipeline, the **distribution of bedrooms** have been weighted towards 2-bed configured apartments with 44% of the total share, followed by studio & 1-bed (35%) then 3-bed+ (22%).

Perth **new prime apartment prices** have decreased 8.2% since 2015 to an indicative \$14,000/sqm at the end of the first half of 2020; to range between an average of \$12,000/sqm and \$20,000/sqm.

## Outlook

Traditionally, the second quarter of the year experiences an elevated volume of prime sales in Perth and 2020 was no exception. Despite this, the number of days on the market will continue to be raised attributed to prolonged global uncertainty and the extended time to obtain finance in these conditions.

There is some comfort the new supply pipeline is diminishing in the prime regions of Perth, elevating prime rental return and values, whilst the city is best-positioned in several years to face a challenging economic year ahead.

### City Wealth Index 2020 Perth

100 global cities ranked

CATEGORY	RANKING
WEALTH	43
INVESTMENT	81
LIFESTYLE	98
OVERALL	77

Source: Knight Frank Research



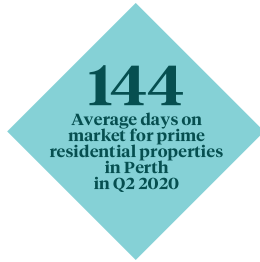
Increase in the number of Perth prime properties sold over the past year

### Prime property price performance

% annual capital growth, as at 30 June 2020



Source: Knight Frank Research

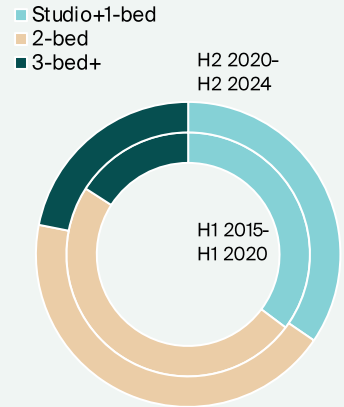


“There was a 4% discount for Perth prime property when purchased with New Taiwanese Dollar in Q2 2020”



### Distribution of bedrooms in new apartments

% portion, Perth prime regions

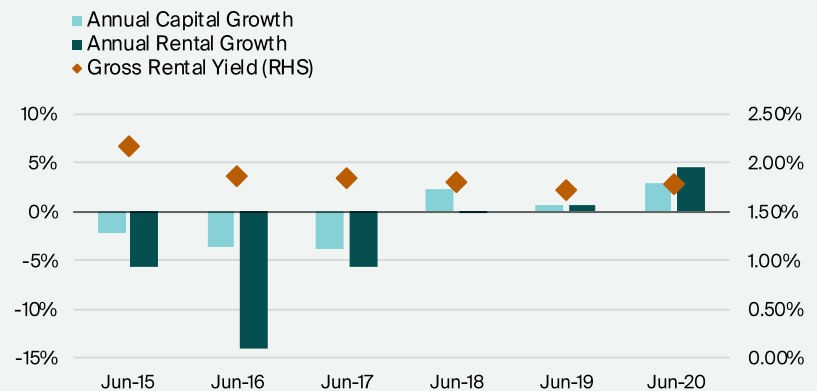


Source: Knight Frank Research



“In prime regions of Perth, there are 12% less new apartments and townhouses forecast to be built over the next five years”

### Perth prime residential price and rental performance



Source: Knight Frank Research

## DATA DIGEST

**Prime (luxury) residential property** is the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile.

**Prime residential sales** hold a threshold of AU\$2 million in Perth prime regions.

**Ultra-high-net-worth individual (UHNWI)** is someone with a net worth of over US\$30 million including their primary residence. Otherwise known as ultra-wealthy.

**Prime regions** cover postcodes in Inner Perth: 6000, 6004-6005, 6008; Western Suburbs: 6009-6012, 6014-6015, 6019-6020; Inner South: 6151-6156; South: 6158-6160.

**Currency** reference to dollars or \$ refers to 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.**



### Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



### Residential

Shayne Harris

+61 2 9036 6713

shayne.harris@au.knightfrank.com



### Valuations

Alistair Carpenter

+61 2 9036 6662

al.carpenter@au.knightfrank.com



### Investment Sales

Scott Timbrell

+61 2 9761 1823

scotttimbrell@au.knightfrank.com



### Private Office

Sarah Harding

+61 2 9036 6752

sarah.harding@au.knightfrank.com



### Media Enquiries

Philippa Giles

+61 2 9036 6627

philippa.giles@au.knightfrank.com

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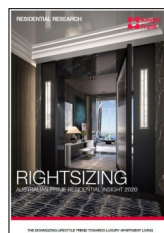
Prime Global Cities Index Q2 2020



Global Buyer Survey 2020



Australian Prime Residential Review 2020



Rightsizing 2020



Australian Prime Waterfront Index 2020



The Wealth Report 2020

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