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# Perth Prime Residential Review

Q4 2020

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# PERTH PRIME RESIDENTIAL

*Spurred on by low vacancy in recent years, prime rents have recorded an average 5.4% growth over the past year. Mining activity remains resilient through the pandemic, with most commodities rebounding, while iron ore prices continue to soar. How is this impacting Perth's prime residential market?*

## Wealth trends

Coming into 2020, Australian **ultra-high-net-worth individuals** were projected to grow by 5.2% per annum, by the end of 2024. From 1 April to 30 September 2020, the Australian **stock market** saw gains of 14.6%, driven by health care, technology, materials (commodity related manufacturing) and telecommunication sectors.

## Prime sales performance

Across Perth's prime regions, the **volume of sales** in the third quarter of 2020 tallied to 105 prime properties. This was down 2% on the second quarter volume, although up 21% over the past year. The **average days on market** for a prime property in Perth was 154 days in the September 2020 quarter. This was 150 days one quarter ago.

## Prime price performance

**Capital growth** for prime property rose 2.2% over the past year to September 2020, although falling 1.3% in the last quarter. Globally, Perth ranked 17th from 45 cities for annual price growth.

At the end of September 2020, those buying with euro were ranked most advantaged for major **currencies** when buying Perth prime property. In terms of **relative value** at this time, one could buy 113 sqm of internal luxury

floorspace in Perth for US\$1 million; compared to 49 sqm in Sydney, 32 sqm in London or 23 sqm in Hong Kong.

## Prime rental performance

**Gross rental yields** for Perth prime property trended down 3 bps to 1.75% over the September 2020 quarter. A year ago this yield was recorded at 1.77%. Over the quarter ending September 2020, **rental growth** fell 1.1% for prime property in Perth. Over the past year, rental growth increased by 2.5%.

## 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

This year Perth's prime price growth has been the strongest since 2014, given the extended low vacancy and significant uptick in mining activity in Western Australia. The number of days properties are on the market are likely to remain elevated while finance approval is proving lengthy.

There is some comfort the new supply pipeline is diminishing for the prime regions of Perth, whilst the city is best-positioned in several years to face a challenging economic year ahead. As a result, the Perth prime residential market is forecast to experience 3% further growth in 2021.

### PERTH PRIME RESIDENTIAL PROPERTY as at 30 September 2020

ANNUAL CAPITAL CHANGE	2.2%
ANNUAL CAPITAL CHANGE 2021 FORECAST	3.0%
AVERAGE DAYS ON MARKET	154 days
ANNUAL RENTAL CHANGE	2.5%
GROSS RENTAL YIELD	1.75%

Source: Knight Frank Research

◆ ◆  
**“1 April to 30 September in 2020 saw the highest number of prime sales in Perth since the same time back in 2014”**  
 ◆ ◆

▲  
**21%**

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

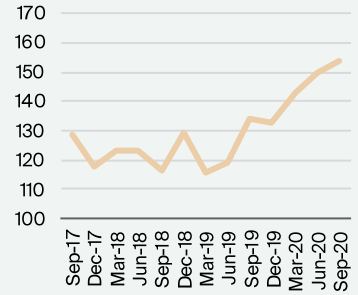
**154**  
 Average days on market for prime residential properties in Perth in Q3 2020

€1m buys 133 sqm of prime residential internal floorspace in Perth

US\$1m buys 113 sqm of prime residential internal floorspace in Perth

As at 30-Sep-20

**Perth prime residential average days on market**

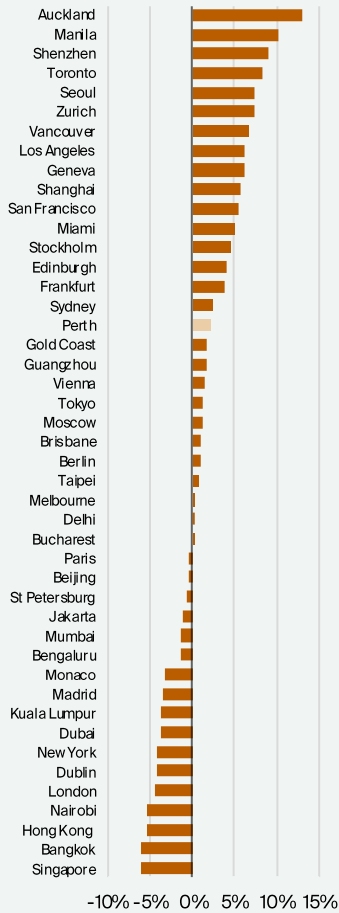


Source: Knight Frank Research

**2.5%**  
 Growth in Perth prime rents between Q3 2019 and Q3 2020

**Prime property price performance**

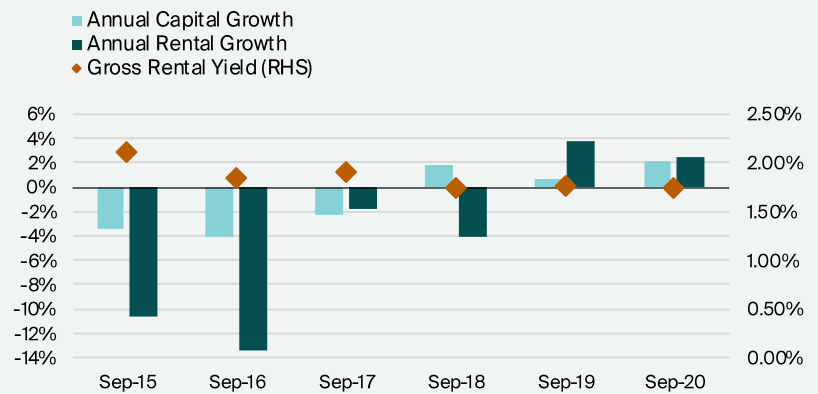
% annual capital growth, as at 30 September 2020



Source: Knight Frank Research

◆ ◆  
**“Perth prime residential prices have increased by 2.2% over the year ending September 2020 and forecast to grow by a further 3% by the end of 2021”**  
 ◆ ◆

**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.**



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## Recent Publications



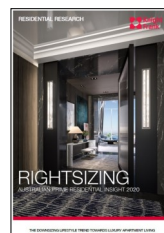
Prime Global Forecast 2021



Global Buyer Survey 2020



Prime Global Cities Index Q3 2020



Rightsizing 2020



Australian Prime Waterfront Index 2020



The Wealth Report 2020

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