

Regional WA Residential Insight

Q4 2023

Knight Frank's quarterly analysis of mainstream sales and rental housing markets in Regional Western Australia (WA)

knightfrank.com.au/research

Elevated rents still being registered across regional towns

Regional WA saw the strongest annual rental change across regional Australia with growth remaining elevated over the past quarter, despite the number of available rental homes improving in regional Australia.

THE ECONOMY

The Western Australia (WA) economy grew by an estimated 5.4% in 2022, with a forecast of 3.6% in 2025 (Oxford Economics). While unemployment in September 2023 was 3.9% across Regional WA (ABS).

LENDING ENVIRONMENT

New household loan commitments across WA were down by 11.0% in the year to September 2023, lower than the 1.2% change recorded the previous year.

The number of lending commitments to owner occupier first home buyers in WA fell by 19.3% in September 2023, compared to 1.2% a year earlier. This first home buyer group represented 25.1% of all WA owner occupier loans in September 2023 (ABS).

The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023.

Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

NEW BUILDS

Annual building approvals in September 2023 fell by 23.4% to total 13,406 additional dwellings in WA, compared to a fall of 37.7% a year ago (ABS).

POPULATION

Regional Western Australia total population saw 1.0% growth to 563,500 persons in the year to June 2022. The projected population growth to 2032, is lower, at 0.9% per annum. The inner regional areas of WA saw annual population change of 1.6% in 2022, while outer regional WA recorded 0.7% (ABS).

TOTAL RESIDENTIAL VACANCY

The total residential rental vacancy was recorded at 1.7% in September 2023, rising 23 bps over the past year across Regional Australia (Knight Frank Research).

Generally, 3% vacancy is considered a balanced rental market between supply and demand.

5.4%

WA annual economic growth in 2022 with forecast of 3.6% in 2025

3.9%

Regional WA unemployment rate in September 2023

4.35%

Official cash rate target in December 2023 with forecast of 3.9% in 2025

-11%

The annual change in WA new household loan commitments in September 2023

-19.3%

Yearly change in number of lending commitments to owner occupier first home buyers in Q3 2023

1.0%

Regional Western Australia annual population change in 2022 to an estimated 563,500 persons, with 0.9% annual forecast in 2025

Regional WA Established Houses

- Strong quarterly growth recorded for Regional WA house prices overtakes total annual growth despite the average number of days on market inching longer over the past quarter.

\$510,000

Regional WA average house value at the end of September 2023

4.2%

The change in Regional WA's average house values in the year to September 2023

12.0%

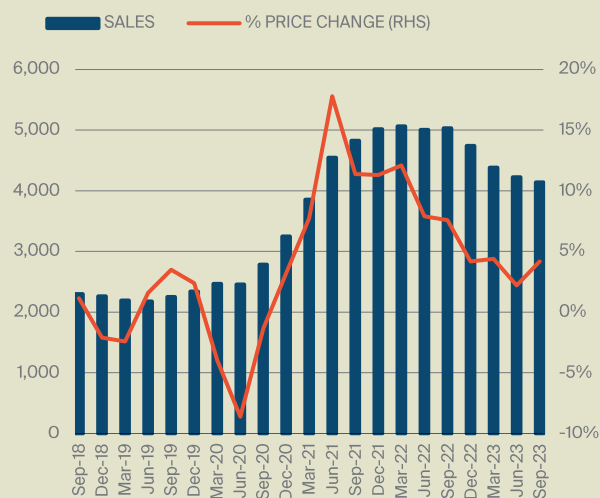
Annual average weekly rental growth in September 2023 across Regional WA houses

SALES & PRICE PERFORMANCE

- Sales volume trended down 17.7% in the year ending September 2023, with 4,136 houses across Regional WA.
- The average days on market for a house was 80 days in September 2023. This was 78 days three months earlier, and 83 days one year ago.
- House values rose 4.2% in the year to September 2023, while rising by 4.3% over the last quarter to \$510,000.
- Looking forward, average prices are forecast to change 5% at the end of 2023, with 3% in 2024 and 2% in 2025, according to Knight Frank Research.

Regional WA Houses Sales Market

No. annual sales & % annual price growth



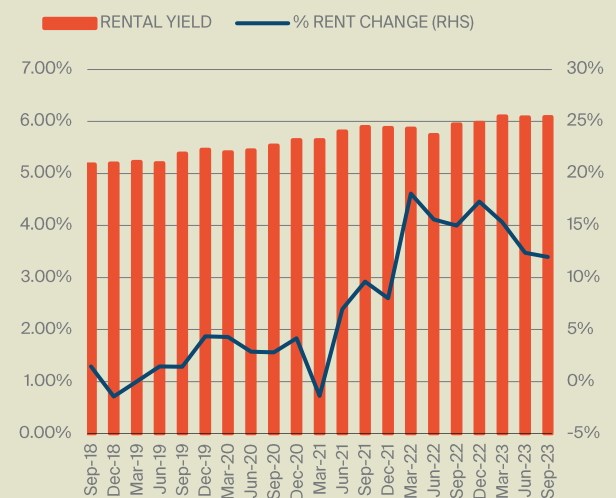
Source: Knight Frank Research

RENTAL MARKET

- Gross rental yields rose 14 bps in the past year, with Regional WA houses averaging 6.08% in September 2023.
- House rents rose 3.0% in the September 2023 quarter, while being up 12.0% annually, to stand at \$515 per week.
- Knight Frank Research forecast rents to rise 8% at the end of 2023, with 4% likely in 2024, and 1% in 2025.

Regional WA Houses Rental Market

Gross rental yield & % annual rental change



Source: Knight Frank Research

Regional WA 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%

Source: Oxford Economics

Regional WA Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	11%	4%	5%	3%	2%	3%
Rental Market	8%	17%	8%	4%	1%	4%

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.

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Residential Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



Residential Site Sales

Tony Delich

+61 418 926 410

tony.delich@au.knightfrank.com



Residential

Erin van Tuil

+61 409 325 700

erin.vantuil@au.knightfrank.com



Franchise Partnerships

Sally Edvardsen

+61 2 9036 6845

sally.edvardsen@au.knightfrank.com



Valuations

Chris Hill

+61 438 807 249

chris.hill@au.knightfrank.com