

# Perth Apartment Projects Review

2021



# PERTH APARTMENT PROJECTS

*Perth’s residential development market is perfectly positioned for increased activity in the coming years. How has this market performed in 2020 and what’s the outlook ahead?*

## Development sites

Unlike the major east coast cities, Perth’s new apartment market is dominated by local developers known to build their portfolios with land banking opportunities as they arise. In many instances, a fair portion of sites required for the future new apartment pipeline have already been secured. In saying this, as confidence has grown in the Perth apartment market, so has the interest of developers outside the state.

The volume of major **sites purchased** by developers suitable for high-density in Perth (above \$2m) was influenced by site sales in the Inner Suburbs rising by

36% in 2020, compared to contracting by 3% in 2019. The total volume of Perth’s major development sites purchased in 2020 were made up of high-density (up from a share of 41% in 2019), which tallied to \$84.8 million (61% higher YoY). There were no major sites purchased which were disclosed with the intention of building a build-to-rent high-density product. The highest volume of high-density site purchases in 2020 were recorded in the suburbs of Claremont, East Perth and North Perth.

By the end of 2020, high-density **site values** in the Inner Suburbs remained

steady at an indicative of \$60,100/per apartment (ranging from \$45,000 to \$95,000/per apartment) while Outer Suburbs values were \$21,300/per apartment, ranging from \$14,000 to \$28,000/per apartment. Rising by 4.2% over this time, values in the Middle Suburbs achieved \$50,000/per apartment (\$20,000 to \$80,000/per apartment).

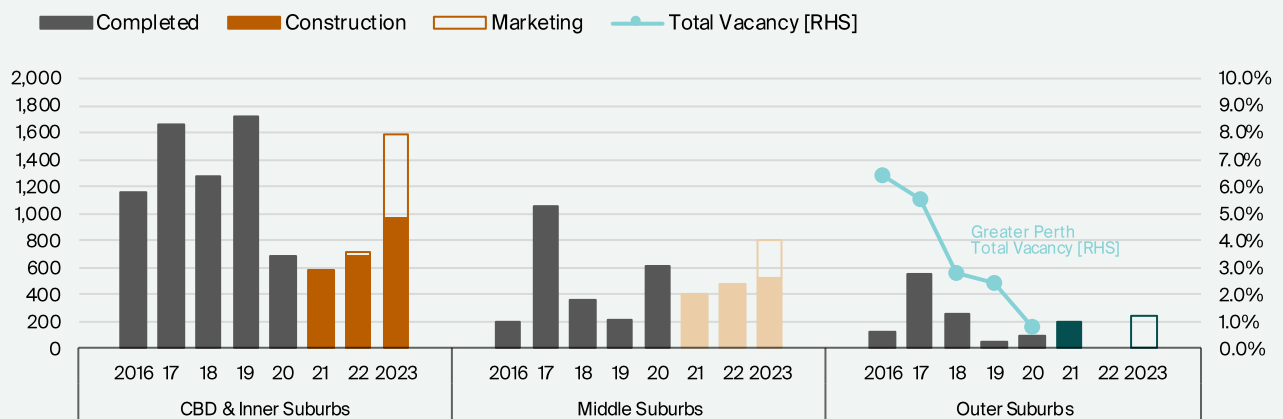
The **cost of construction** in Greater Perth rose by 1.2% in 2020, as estimated by Rawlinsons.

## New projects pipeline

The **pipeline for new apartments** in

### Perth new apartment pipeline & total residential vacancy

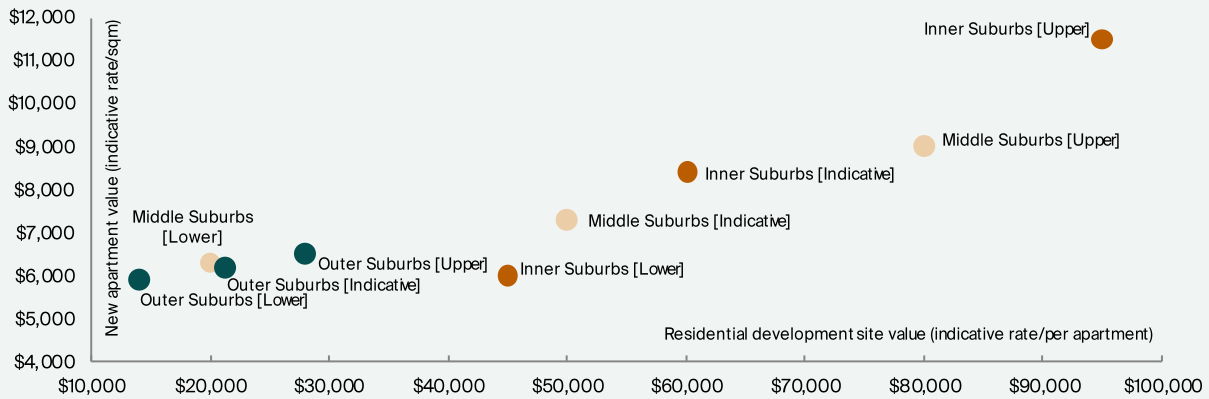
No. of potential apartments, projects with 40+ apartments and 4+ storeys & total residential vacancy [RHS], 31 Dec 2020



Source: Knight Frank Research

### Perth residential development sites & new apartment values

Average sites based on high-density and new apartments based on standard mainstream 2bed+2bath (excl.CBD), 31 Dec 2020



Source: Knight Frank Research

Perth remains shallow when taking into account the average marketing and construction timeframes for development approved projects with 40+ apartments and 4+ storeys.

The Inner Suburbs pipeline is the largest for new apartments to be built in Perth by 2024 (2,900). This is much lower than the past three years total construction at 3,675 new apartments.

The Middle Suburbs follow with 1,675 and Outer Suburbs with 450 new apartments over the next three years; compared to 1,175 and 400 new apartments over the next three years, respectively.

In 2020, WA’s high-density **building approvals** were down 6.1% on the previous year, with 1,972 apartments. Although, the last quarter of 2019 was trending upwards, recording a sharp 63% rise on Q3 2019 (ABS).

A new apartment in WA averaged 151 sqm **internal floor space** in 2019/20, smaller than the 156 sqm average one year ago (CommSec).

#### New apartment pricing

The Outer Suburbs of Perth saw the

most positive movement in **new apartment prices** in 2020, rising 1.6% to an indicative of \$6,200/sqm (ranging from \$5,900 to \$6,500/sqm). New apartment prices in Perth’s Middle Suburbs followed with 1.4% growth to an indicative \$7,300/sqm in this time, to range between an average of \$6,300 and \$9,000/sqm and the Inner Suburbs recorded a rise in prices of 1.2% at \$8,400/sqm (\$6,000 to \$11,500/sqm).

#### Apartment demand

A recovering WA economy has encouraged modest population growth in 2020. This has lifted confidence in the Perth residential market with enquiries increasing significantly by locals and interstate investors, alike.

Annual **sales turnover** for Perth’s apartments has lifted 10.7% in 2020, whilst **capital values** have grown to stand at a median of \$347,500 (APM) for established apartments.

Perth’s residential **vacancy** is now trending below 1%, considerably under the 3% equilibrium. At the end of 2020, residential vacancy was 0.8%, compared to 2.4% in 2019 (REIA). In response, apartment rents rose by 12.9% over this time (APM).

#### Buyer profile

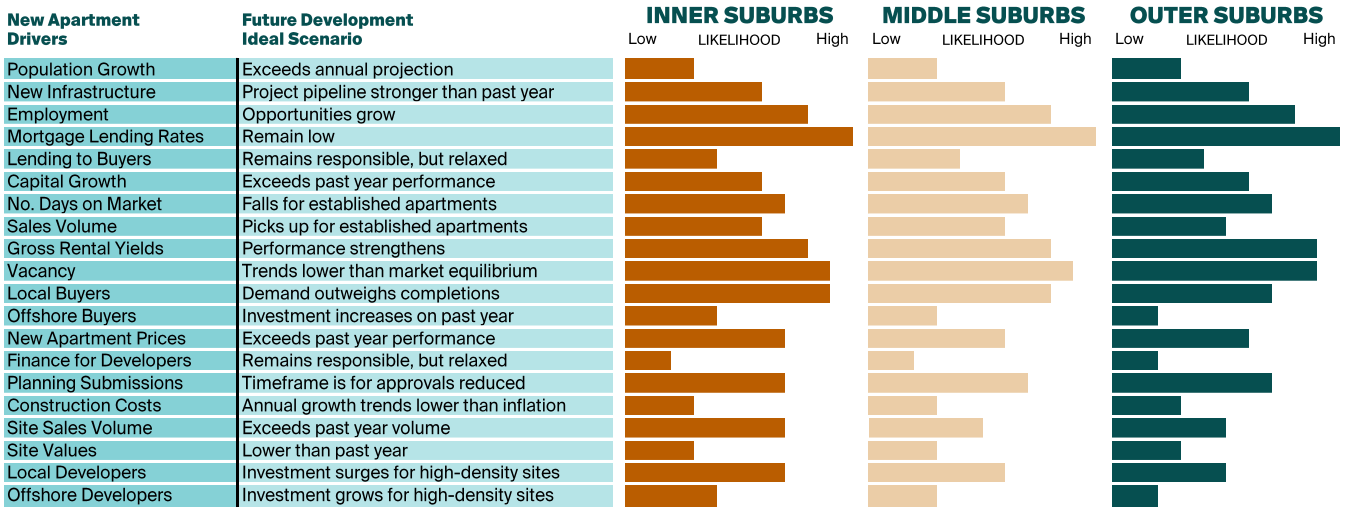
More apartments were being purchased by owner-occupiers across Perth in recent years, particularly by downsizers and first home buyers. New household **loan commitments** in WA increased by a substantial 30.9% in 2020. The split of **investor** loans fell from 17% to 16%, while **owner-occupier** loans grew from 83% to 84%. **First home buyer** activity increased 41% over this time, to comprise a 39% share of all new loans approved (ABS).

#### Outlook

Knight Frank Research **forecast** the Perth wider residential market to grow by 12% in 2021 and by 10% by the end of 2022. Although, the apartment market is forecast to grow slower, at 4% in 2021, and 5% growth in 2022.

Key drivers most challenged for new Perth apartment projects are low migration, the limited finance options for new developers into the market and potentially rising site values. Otherwise, the greatest development opportunities will be mortgage rates remaining low for buyers, growing employment opportunities and incredibly tight rental vacancy across the city.

## PERTH APARTMENT PROJECTS | ONE YEAR OUTLOOK



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.



### 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  
a.carpenter@au.knightfrank.com



### Agency

Paul Roberts  
+61 2 9036 6872  
paul.roberts@au.knightfrank.com



### Franchise Partnerships

Scott Timbrell  
+61 2 9761 1823  
scott.timbrell@au.knightfrank.com

### Media Enquiries

pr@au.knightfrank.com

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