

# Perth New Apartments Insight

Q3 2023

Knight Frank's quarterly analysis of high-density residential sites and new apartment market for build-to-sell (BTS) product across Greater Perth

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## Ongoing significant rental growth results from lack of new apartments

■ Perth remains to be one of the most impacted Australian cities by the rising construction costs, resulting in the lower delivery of apartments built and half the number of apartments approved for development in the past year.

### DEVELOPER ACTIVITY

The volume share of residential development sites being purchased in Greater Perth for high-density development has grown to 93.2% in the year to June 2023, rising from 33.7% five years earlier, and was higher than 48.7% recorded a year ago.

Building approvals across Greater Perth trended 49.1% lower between June 2022 and June 2023 with 1,473 apartments approved as recorded by the Australian Bureau of Statistics.

The appetite of developers remains significantly lower than the 4,637 apartments approved in the same period five years ago.

### COST OF CONSTRUCTION

The cost of construction in Greater Perth increased by an estimated 8.1% in the year to June 2023 according to Rawlinsons.

To build apartments to a standard finish, with a balcony, ranged from an estimated \$2,905/sqm to \$3,465/sqm (plus GST) in 2022. At the same time, to construct new apartments to a prestige finish was estimated at \$4,270/sqm to \$4,990/sqm.

### ESTABLISHED APARTMENTS PERFORMANCE

Sales volume trended down 16.5% in the June 2023 quarter with 1,307 established apartments, while annual sales volume was 3.1% lower than a year ago. The average days on market for an established apartment was 76 days in the June 2023 quarter. This was 89 days one quarter ago.

Capital values for established apartments fell 4.8% over the year to June 2023, and was down 1.7% in the last quarter to a median value of \$356,500 according to APM.

### RENTAL MARKET

Gross rental yields for apartments were up 7 bps, to 6.58%, in the June 2023 quarter. Over the same time, rents increased 6.7% for apartments and trended up 20.0% over the past year, where median rents were \$480 per week (APM).

Residential rental vacancy was 0.8% in Greater Perth at the end of June 2023, with vacancy of 0.7% last quarter, and 1.1% one year ago according to the Real Estate Institute of Australia (REIA).

**93%**

Share of Greater Perth site sales volume purchased for high-density residential development in the year to June 2023

**-49.1%**

Building approval for apartments change from June 2022 to June 2023 for Greater Perth

**8.1%**

Change in the cost of construction in Greater Perth in the year ending June 2023

**-4.8%**

The change in Greater Perth median established apartment values in the year to June 2023

**11.7%**

Portion of new property sales to international buyers in Western Australia (WA) in June 2023

**0.8%**

Total residential rental vacancy in June 2023 across Greater Perth

**4.10%**

Official cash rate target in September 2023 with forecast of 3.40% in 2025 by Oxford Economics

**5.4%**

WA annual economic growth in 2022 with forecast by Oxford Economics of 3.5% in 2025

**1.5%**

Greater Perth population change in 2022 to an estimated 2.2 million persons, with 1.6% annual forecast in 2025

# New apartments in Greater Perth

■ High-density residential development site sales continue to remain scarce across the Greater Perth city with developers impacted by higher cost of construction and steady new apartment price growth being recorded.

**-29.5%**

Greater Perth annual change in high-density residential development site sales volume at the end of June 2023

**-1.2%**

The change in Greater Perth's high-density development site prices in the year to June 2023

**0%**

Greater Perth's annual price change in June 2023 for new apartments

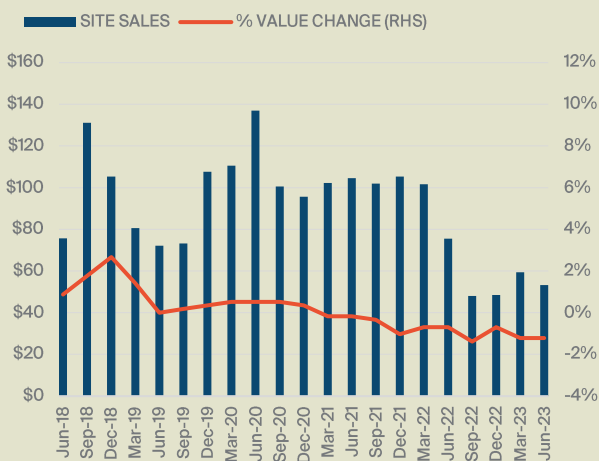
New apartments located in Greater Perth represent a geographical area designed by the Australian Bureau of Statistics as being the functional area of the capital city which includes populations who regularly socialise, shop or work within the city.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$53.3 million in the year to June 2023, 29.5% lower than a year ago.
- For a raw apartment site, average values ranged from \$14,000/apartment to \$90,000/per apartment in June 2023, with an indicative rate of \$56,700/apartment.
- Site values for apartment developments fell 1.2% over the past year, although with no change in the June 2023 quarter.

### Greater Perth Site Sales & Values

High-density residential rolling annual major site sales volume (\$ million) & % annual change in site values



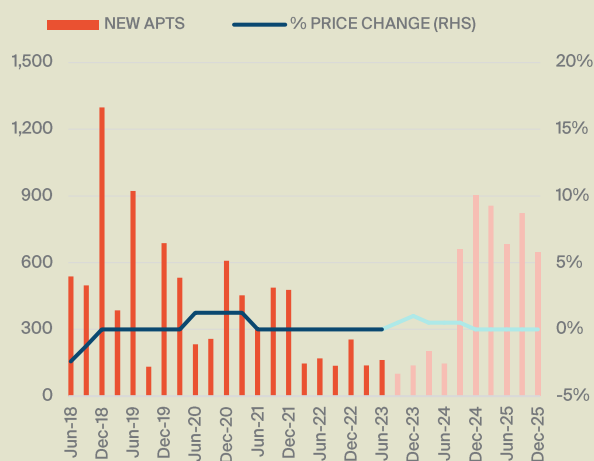
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Slightly over 8,800 new apartments were built in the five years to June 2023. An average 1,600 new apartments were built each year, while this is forecast to average 2,400 in the next 3 years.
- The average price for a new apartment ranged from \$5,800/sqm to \$11,500/sqm in June 2023, with an indicative rate of \$8,200/sqm.
- New apartment prices remained stable in the June 2023 quarter and over the past year.
- Average new apartment prices are forecast to change by 1% at the end of 2023, 0% in 2024 and 0% in 2025 according to Knight Frank Research.

### Greater Perth Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices

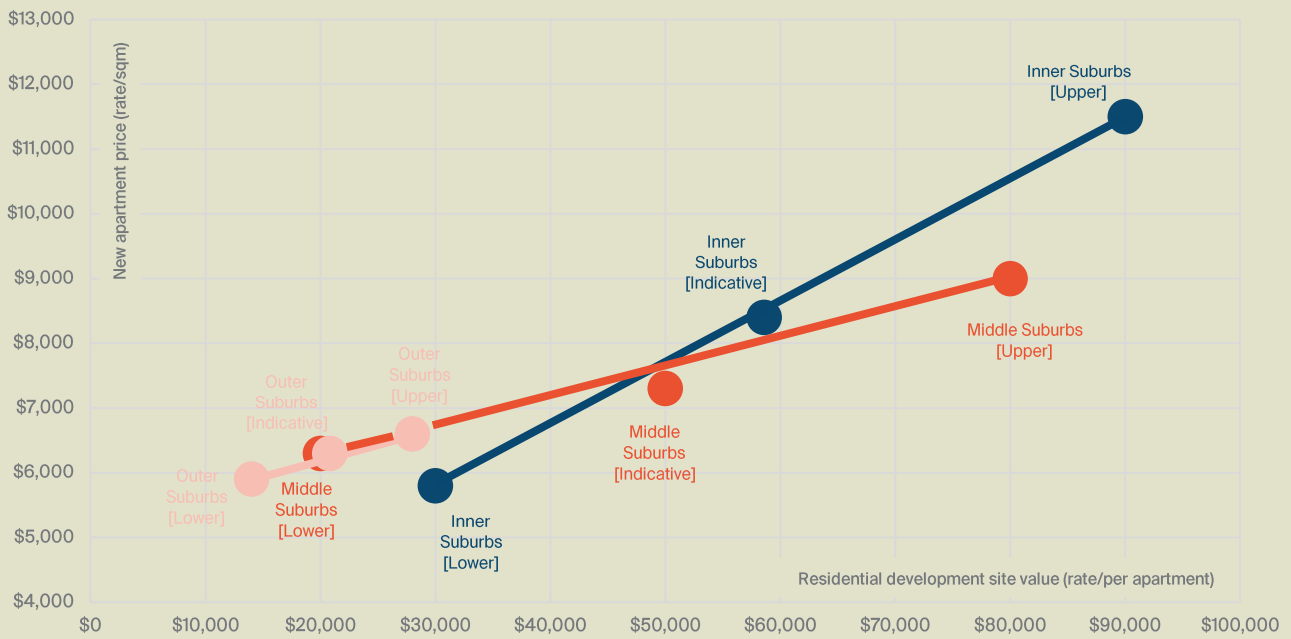


Source: Knight Frank Research

# Snapshot: Development sites & apartment project pricing

## Greater Perth Residential Development Site Values & New Apartment Prices

Based on high-density raw site values and standard mainstream new apartment prices, 30 June 2023



Source: Knight Frank Research

## Greater Perth new apartments forecast

### Greater Perth New Apartments Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Site Price Performance	-1%	-1%	-	-	-	-
New Apartment Pipeline	1,700	700	📉 500	📈 1,900	📈 3,000	📈 1,800
New Apartment Price Performance	0%	0%	📈 1%	📊 0%	📊 0%	📈 0.3%
Residential Price Performance	9%	5%	📉 3%	📊 5%	📈 6%	📊 5%
Residential Rental Market	10%	15%	📈 17%	📉 11%	📉 9%	📉 12%

Source: Knight Frank Research

# New apartments in Perth prime regions

Increased density is pushing up luxury apartment prices across the prime regions of Perth, despite apartments with larger living areas being delivered to the market to meet growing downsizer demand.

**-44%**

Perth prime regions annual change in high-density residential development site sales volume at the end of June 2023

**0%**

The change in Perth's prime regions high-density development site prices in the year to June 2023

**3.2%**

Perth's prime regions annual price change in June 2023 for new apartments

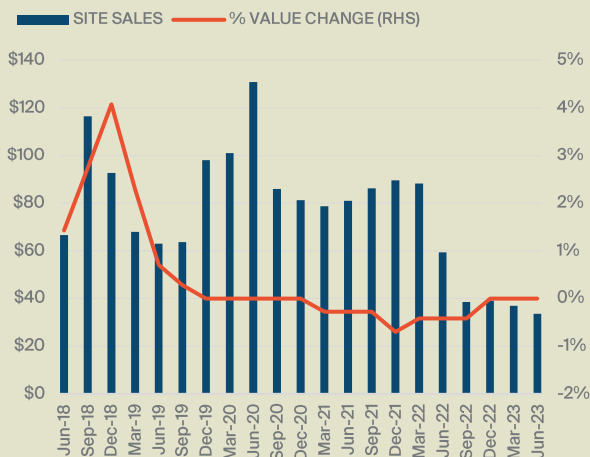
New apartments located in the prime regions are considered to include Inner Perth, Inner South, South and the Western Suburbs of Perth.

## SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$33.5 million in the year to June 2023, 43.6% lower than the year earlier.
- For a raw apartment site in the prime regions, average values ranged from \$50,000/apartment to \$100,000/per apartment in June 2023, with an indicative rate of \$71,000/apartment.
- Site values for apartment developments remained stable over the past year, and in the June 2023 quarter.

### Perth Prime Site Sales & Values

High-density residential rolling annual major site sales volume (\$ million) & % annual change in site values



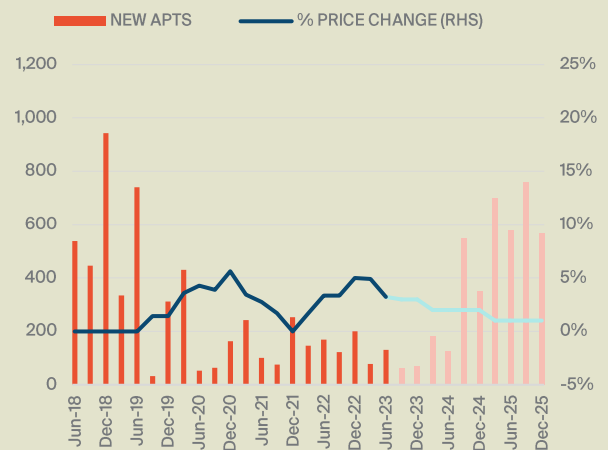
Source: Knight Frank Research

## NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Almost 5,600 new apartments were built in the five years to June 2023. An average 900 new apartments were built each year, while this is forecast to average 1,800 in the next 3 years.
- The average price for a new prime luxury apartment ranged from \$14,000 to \$25,000/sqm in June 2023, with an indicative rate of \$16,000/sqm.
- New prime luxury apartment prices were stable in the June 2023 quarter and were 3.2% higher in the past year. Prices are forecast to change by 3% at the end of 2023, 2% in 2024 and 1% in 2025 according to Knight Frank Research.

### Perth Prime Pipeline & Prices

No. of new apartments built or due each quarter in prime regions & % annual change and forecast of new prime luxury apartment prices



Source: Knight Frank Research

# Data digest

## Major sites

Considered to hold a raw site value threshold of \$2 million or more for all cities, except for Sydney and Melbourne being \$5 million or more.

## High-density

Includes residential apartment projects with 4+ storeys in height.

## Prime (luxury) residential property

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

## Prime regions

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

All references made to dollars or \$ is 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.

## Recent Research



Perth Residential Insight



Global Branded Residences Report



Perth Prime Residential Insight



Australian Residential Developer Survey 2023



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