

# Perth

## Apartment Market Snapshot\*

Australia Residential Research | August 2020

### Overview

Positive momentum through the turn of the year has come to an abrupt end due to COVID-19, with apartment prices falling since the onset of the outbreak. Historically low interest rates and the 75% stamp-duty rebate have not been enough to maintain confidence in the Perth residential market. Rising unemployment, border closures and Australia's first recession in nearly 30 years will inevitably delay Perth's long-awaited housing recovery. Nevertheless, the near-term downside risks should be mild, with WA positioned to recover quicker than other markets.

- Economic growth has stalled in light of the pandemic, with Deloitte Access Economics (DAE) forecasting SFD growth of 0.4% in 2020. Nevertheless, WA is expected to rebound strongly, averaging 3.5% p.a. between 2021 and 2025.
- Demand for Perth apartments remains subdued, with sales volumes flat over the year. However, current data does not reflect the impact of COVID-19. A more timely indicator, the value of housing finance approvals has fallen significantly since the start of the pandemic, down 11.7% over the year to May-20.
- Apartment completions have moderated over 2020, with 566 units added within the Inner Perth region in the first half of 2020. Project timelines for large scale developments have been pushed out due to economic uncertainty following the COVID-19 pandemic.
- Rental vacancy across Greater Perth has fallen to 1.5% as at Jun-20 (SQM Research), with solid rental growth (2.7%) over the year.
- CoreLogic's Hedonic Home Value Index data shows a decline of 2.0% for units and 2.6% for detached houses, over the year to Jul-20.

### Key Market Indicators: Inner Perth

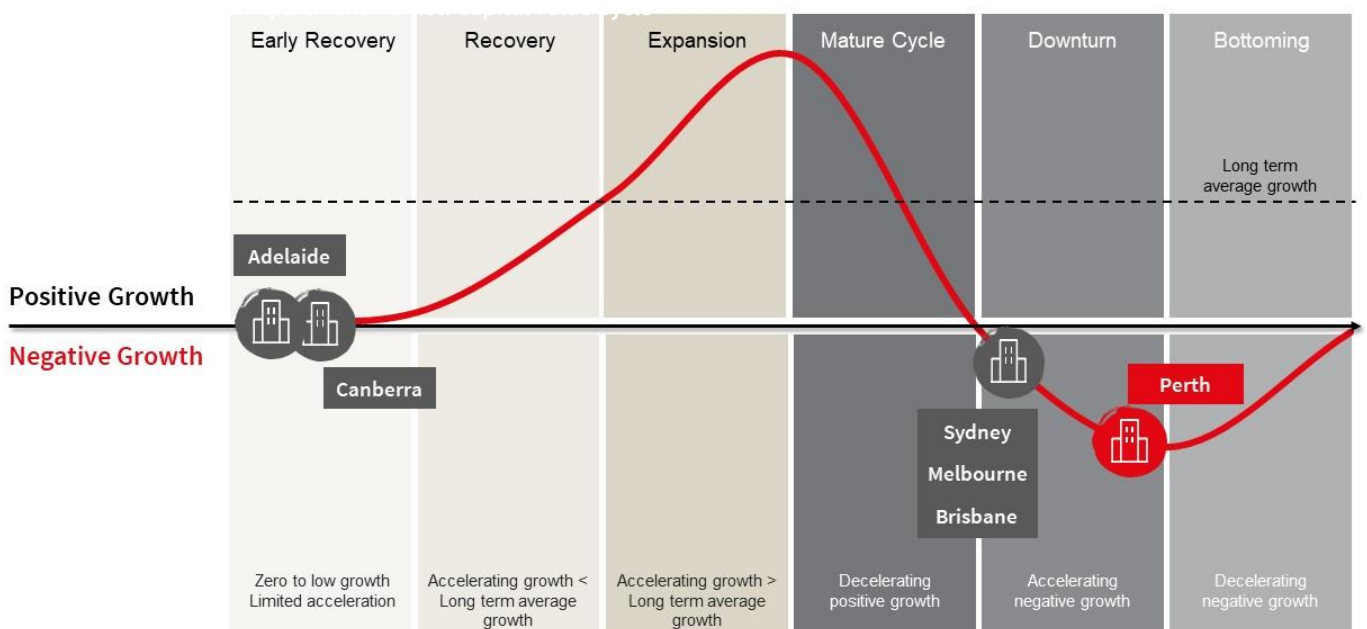
Indicator	Latest	Y-o-Y% Change
Apartment Approvals (12 months to May-20)	832	70.1%
Sales Volumes – Units* (12 months to Mar-20)	1,981	0.0%
Median Unit Price*^ (as at Jul-20)	\$352,960	-2.0%
Median Asking Rent (as at Mar-20)	\$380/week	2.7%
Gross Rental Yield^ (as at Mar-20)	4.9%	13 bps

\* New and Existing

^ Greater Perth

Source: JLL Research, ABS, CoreLogic, REIA

### Australian Apartment Market: Capital Value Cycle



Source: JLL Research, as at 2Q20

\* Please note: a condensed market Snapshot is completed in Q2 and Q4, while a full market report is completed in Q1 and Q3.

## Supply

Inner Perth apartment supply has moderated in 2020, with just over 900 units expected to complete this year.

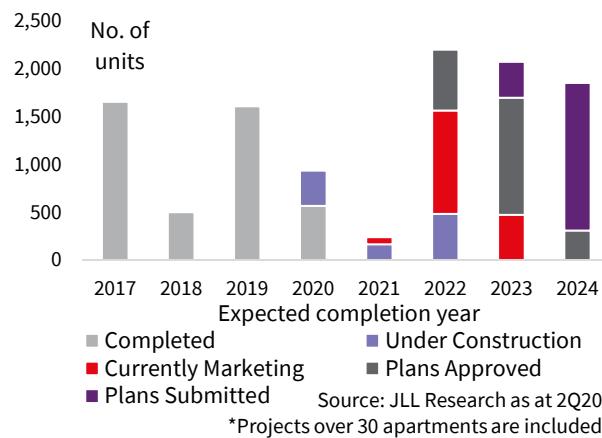
A total of 566 apartments across three developments have reached completion over the first half of 2020. A further 366 units are expected before the end of the year taking the 2020 total to around 932 apartments. This is a 42% decline on the 2019 total of 1,600 units.

Completions over the first half of 2020 were concentrated within the CBD (69%) and Inner North (31%). The three projects that reached completion were:

- **NV Apartments**, Perth CBD – 388 units,
- **One Kennedy**, Maylands (Inner North) – 120 units,
- **Aston238**, Leederville (Inner North) – 58 units.

Construction will cool off further beyond 2020, with less than 250 apartments across a handful of smaller boutique developments expected to complete in 2021. This figure is less

**Figure 3: Inner Perth Supply Pipeline by Status**



**Figure 4: Five-Year (2020-2024) Supply Pipeline by Stage and Precinct (Number of Apartments, as at 2Q20)**

Stage	Central Perth	Inner North	Inner South	Total
Completed (YTD)	388	178	0	566
Under Construction	361	331	318	1,010
Currently Marketing	799	496	330	1,625
Plans Approved	756	689	717	2,162
Plans Submitted	1,391	0	518	1,909
<b>Total</b>	<b>3,695</b>	<b>1,694</b>	<b>1,883</b>	<b>7,272</b>

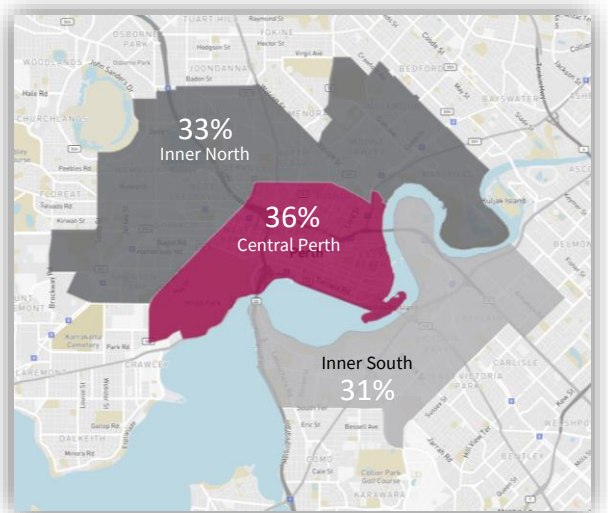
Source: JLL Research, as at 2Q20

than 25% of the number of expected completions reported prior to the COVID-19 outbreak.

Despite the 75% stamp-duty concessions for off-the-plan apartments, project timelines for larger developments previously set for 2021 completion have been pushed out as COVID-19 economic uncertainty softens demand. Many projects that are in the early stages of marketing or at the development approval stage, could slip into later years or be abandoned if sufficient pre-sales are not achieved and economic conditions do not improve.

Across Inner Perth, a total of 6,700 apartments are in the those under construction, currently marketing, with DA approval or plans submitted). Approximately 49% of those are located in Central Perth area, followed by the Inner South (28%) and Inner North (23%).

**Figure 2: Inner Perth Apartment Market Precinct Map (% of Projects Under Construction, as at 2Q20)**



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