

*A review of prime luxury residential markets
across major Australian cities*



Australian Prime Residential Review

Q1 2023

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AUSTRALIAN PRIME LUXURY RESIDENTIAL MARKET



Key Drivers

Contrary to the significant correction in the mainstream residential market, wealth creation in 2022 by the ultra-wealthy population with less reliance on finance, has resulted in ongoing demand for prime luxury residential property in Australia.

Uncertainty still surrounds major economies around the world, and as a result, key drivers potentially impacting wealth creation for 2023 hold a mixed outlook.

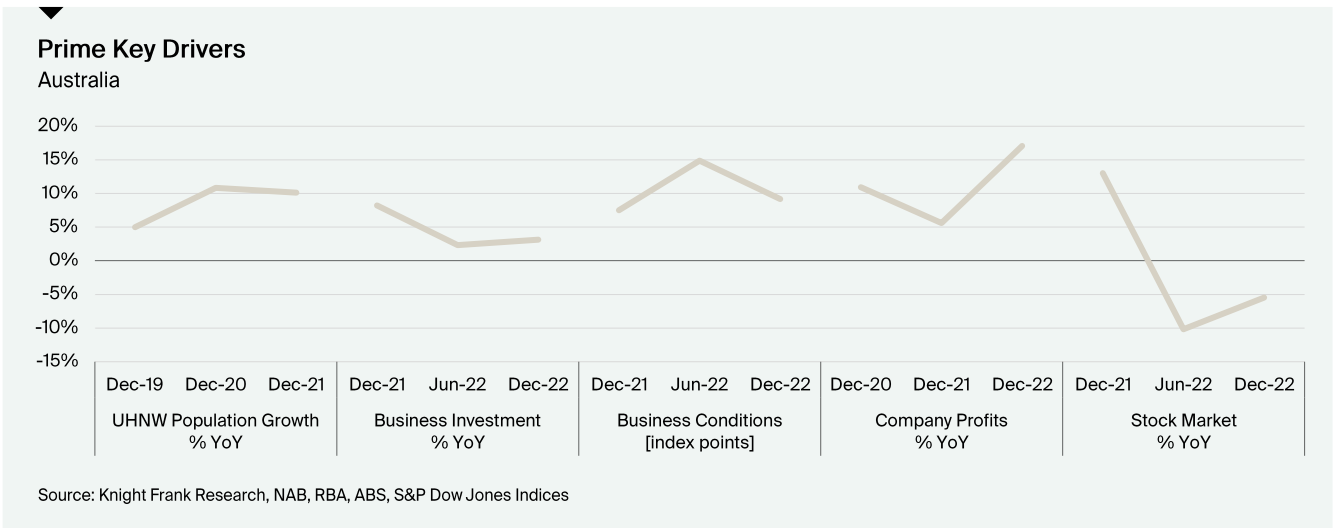
Australia’s ultra-high-net-worth (UHNW) population grew by 10.1% in 2021, to 20,874 people with net wealth of more than US\$30 million. This population is forecast to grow by a further 31% over the next five years according to the Knight Frank [Wealth Sizing Model](#).

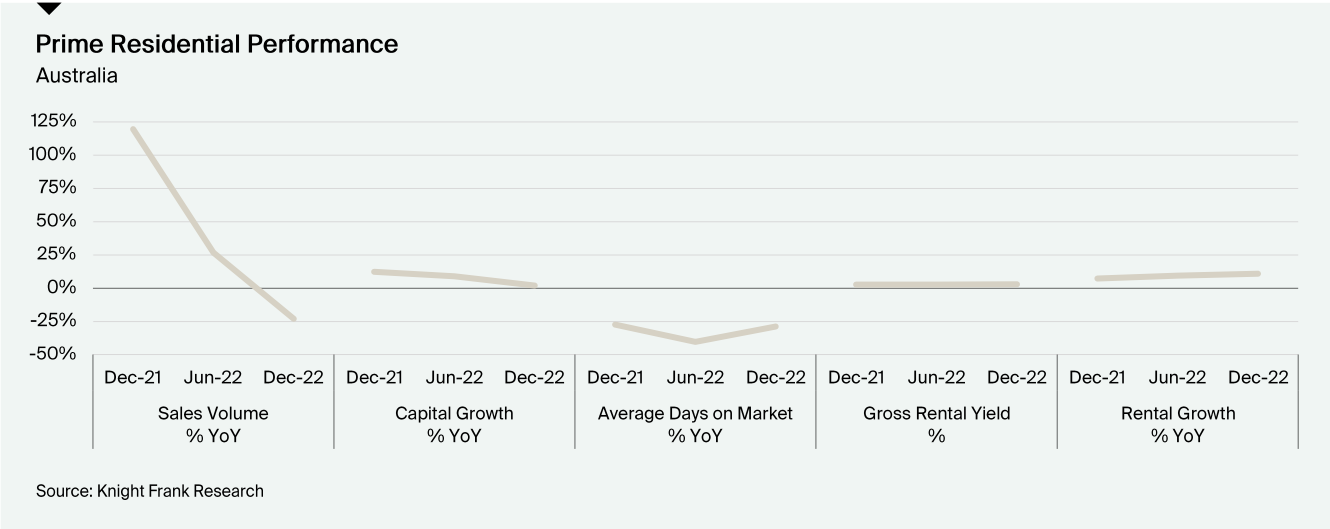
Australia has now encountered ten consecutive increases to the official cash rate to battle rising inflation, from the historic low of 0.10% in April 2022, to rise 25 bps in March 2023 to stand at

3.60%. The Reserve Bank of Australia will continue to closely monitor the status of the global economy, local household spending and wage growth in order to pause or raise the cash rate further in 2023.

New private business investment grew by 3.1% in the year to December 2022. This was higher than 2.3% annual growth six months earlier, but lower than 8.3% growth recorded a year ago.

Business condition sentiment dropped





by 7.9 pts in December 2022 to +9.2 index points in the NAB monthly business survey. This is greater than the +14.9 pts recorded in June 2022. Company profits across Australia rose an estimated 17.1% in 2022, after recording 5.6% growth in 2021.

Oxford Economics have forecast annual company profits to fall by 6% in 2023, before falling a further 0.5% in 2024, although recovering with 5.9% growth in 2024.

Australia’s stock market performance on the S&P/ASX 200 rose in the last quarter of 2022 by 8.7%, to calculate total annual change of -5.5% in 2022.

Oxford Economics forecast the stock market performance will fall to -1.7% at the end of 2023, before rising by 4.8% growth in 2024 and a further 3.5% growth in 2025.

Performance and Outlook for Australian Prime Residential Market

The prime sales volume across Australia trended up 14% in the December 2022 quarter with 1,596 residential homes (houses and apartments). The annual sales volume is 23% lower than a year ago with a total of 6,446 transactions. Over this time, Perth saw the greatest growth in prime annual sales volume with 14%. Brisbane followed with -5%.

An Australian prime luxury home was listed on the market for an average of 64 days in the December 2022 quarter. This was 62 days one quarter ago. Over this time, prime properties were on the market 1 day more on average in Melbourne, while Brisbane and Perth increased by 3 days.

Capital growth for Australian prime property rose by 1.0% in the last



AUSTRALIAN CITIES PRIME RESIDENTIAL PRICE PERFORMANCE	GLOBAL RANK Dec-22 (Rank one year ago)	ANNUAL GROWTH RATE Dec-22 (Rate one year ago)
GOLD COAST	14 (9)	4.1% (17.1%)
MELBOURNE	19 (21)	3.5% (9.4%)
PERTH	27 (16)	1.3% (10.5%)
SYDNEY	29 (11)	1.1% (16.2%)
BRISBANE	32 (14)	0.2% (11.2%)
GLOBAL	-	3.0% (9.8%)

Source: Knight Frank Research, Prime Global Cities Index (45 cities)



Perth saw the highest annual sales volume growth for prime residential property across Australia



Brisbane recorded the lowest number of average days on market for prime residential sales in Australia



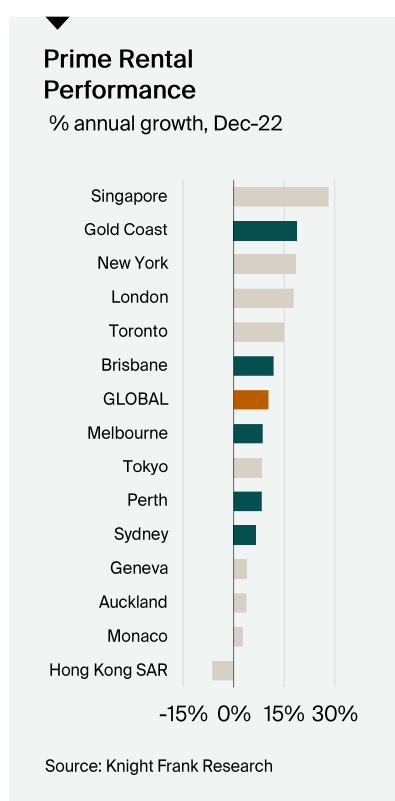
Gold Coast was the strongest performing city for prime residential annual price growth in Australia



Gold Coast held the highest gross rental yield for prime residential property across Australia



Gold Coast was the strongest performing city for prime residential annual rental growth in Australia



quarter of 2022, rising 1.8% over the 2022 year.

Australia's prime price performance trended above the average 3.0% global annual growth as reported in the Knight Frank [Prime Global Cities Index](#). Australia had two major cities trending above the global average and represented in the top 20.

Across Australia's five major cities, Gold Coast prime residential values performed the strongest over this time with 4.1% annual growth, ranking 14th from 45 global cities. Melbourne was in position 19 (3.5%) and Perth in position 27 (1.3%), ranked next best.

Australia's prime residential forecast is for steady annual growth in 2023, with 3% growth in 2024, before rising by a further 5% in 2025.

From an investment perspective, gross rental yields were lifted by 10 bps in the last quarter of 2022, as Australian prime residential property averaged 2.80%. At this time, the Gold Coast recorded the strongest prime gross rental yield at 3.88%.

Australian prime residential rental growth was 4.8% in the December 2022 quarter, rising 10.7% over the past year. This was slightly above the annual global average of 10.3% tracked in the Knight Frank [Prime Global Rental Index](#).

Gold Coast and Brisbane were the only major Australian cities to trend above the global average, with 18.9% and 11.8% prime annual rental growth, respectively. This was followed by Melbourne (8.6%), Perth (8.3%) and Sydney (6.7%).

MAJOR CITIES PRIME RESIDENTIAL Dec-22	SYD	MEL	PER	BNE	GC	AUS
UHNW POPULATION GROWTH YoY ^	3.7%	10.2%	10.5%	15.0%	-	10.1%
UHNW POPULATION GROWTH 2021-26 Projection ^	20%	34%	23%	32%	-	31%
SALES VOLUME Annual	3,350	776	730	733	857	6,446
SALES VOLUME YoY	-33%	-22%	14%	-5%	-8%	-23%
AVE. DAYS ON MARKET	64	70	71	51	68	64
CAPITAL GROWTH YoY	1.1%	3.5%	1.3%	0.2%	4.1%	1.8%
CAPITAL GROWTH Global Rank *	29	19	27	32	14	-
CAPITAL GROWTH 2023 Forecast	0%	-1%	1%	2%	3%	0%
CAPITAL GROWTH 2024 Forecast	3%	1%	2%	4%	3%	3%
GROSS RENTAL YIELD	2.17%	2.84%	1.91%	2.58%	3.88%	2.80%
RENTAL GROWTH YoY	6.7%	8.6%	8.3%	11.8%	18.9%	10.7%

Source: Knight Frank Research

Note: ^ Latest data at time of publishing * From 45 cities

SYDNEY PRIME



Sydney prime sales performance

In the December 2022 quarter, Sydney prime residential sales volume trended up 16% with 823 homes selling higher than \$3 million. Annual sales volume trended 33% lower, to total 3,350 sales.

The average days on market for a prime home stood at 64 days in the December 2022 quarter. One quarter ago, this was 62 days.

Sydney prime price performance

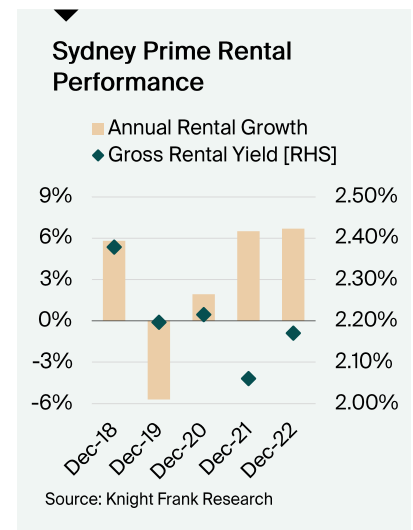
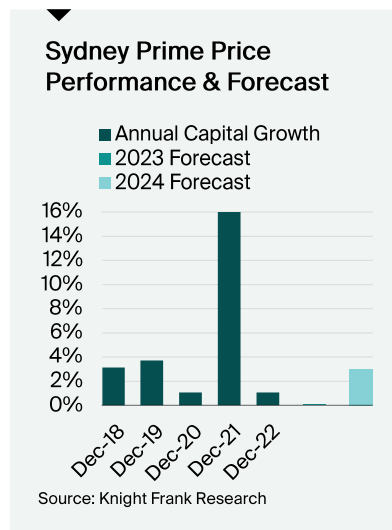
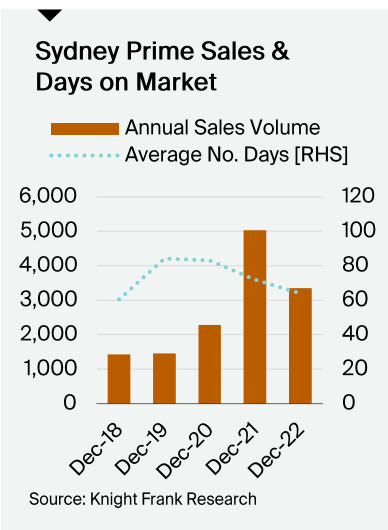
Globally, Sydney ranked 29th from 45 cities for prime annual price growth. Over the year to December 2022, capital growth increased 1.1% for prime homes, rising 1.8% in the past quarter.

Prime residential prices in Sydney are forecast to remain stable in 2023, before rising 3% in 2024 and 6% in 2025, according to Knight Frank Research.

Sydney prime rental performance

Gross rental yields for Sydney prime residential property rose 5 bps to 2.17% in the last quarter of 2022. A year ago, this prime yield was recorded at 2.06%.

Rents for prime homes rose 3.7% over this same quarter, increasing a total of 6.7% over the past year.



MELBOURNE PRIME



Melbourne prime residential annual sales volume growth



Average days on market for Melbourne prime residential sales



Annual price growth Melbourne prime residential



Melbourne prime residential average gross rental yield



Annual rental growth Melbourne prime residential

Melbourne prime sales performance

Prime sales volume in Melbourne increased 31% in the December 2022 quarter with 210 residential homes transacting above \$3 million. Although annual sales volume is 22% lower than a year ago, with 776 sales.

Melbourne prime homes averaged 70 days on the market before selling in the December 2022 quarter. One quarter ago, this was 69 days.

Melbourne prime price performance

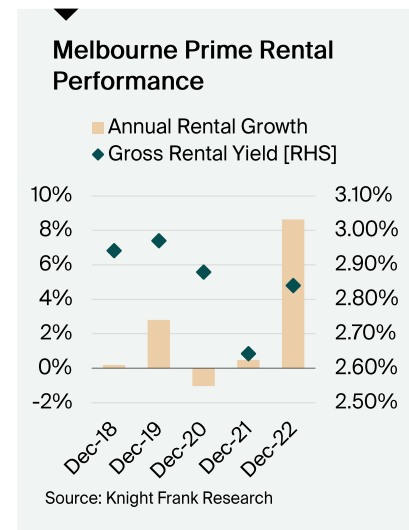
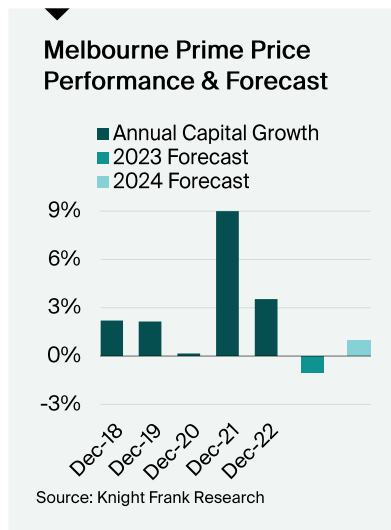
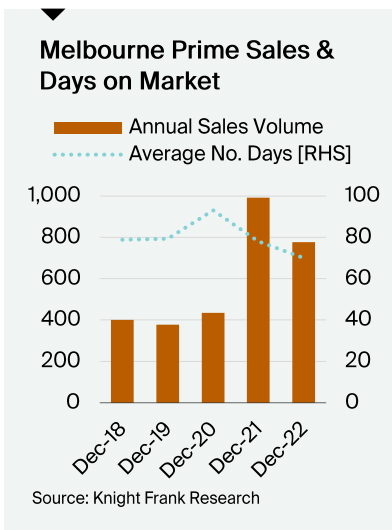
Melbourne ranked 19th from 45 global cities for prime annual price growth. Over the year to December 2022, capital growth increased 3.5% for prime homes, up 1.0% in the past quarter.

Knight Frank Research forecast Melbourne prime prices to likely experience a decline of 1% in 2023, before rising 1% in 2024 and 4% in 2025.

Melbourne prime rental performance

Gross rental yields for Melbourne prime residential increased 7 bps to 2.84% in the last quarter of 2022. One year ago, this prime rental yield was recorded at 2.64%.

Rents increased 3.4% for prime homes in the December 2022 quarter, to total 8.6% growth over the past year.



PERTH PRIME



Perth prime sales performance

Across the prime regions in Perth, sales volume rose 43% in the December 2022 quarter with 201 residential homes selling higher than \$2 million. Annual sales volume is 13.5% higher than a year ago, with a total of 730 sales.

Prime homes averaged 71 days on the market before selling in the December 2022 quarter. One quarter ago, this was 68 days.

Perth prime price performance

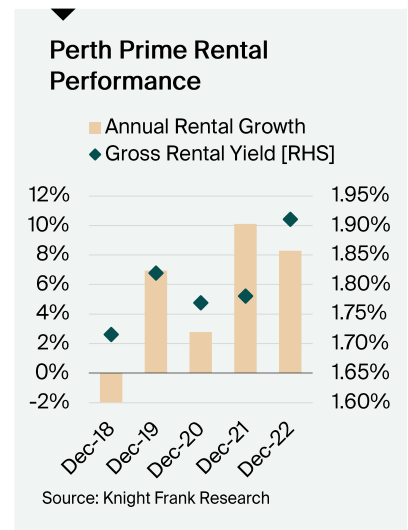
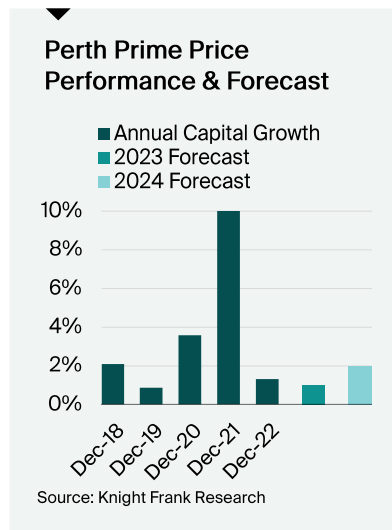
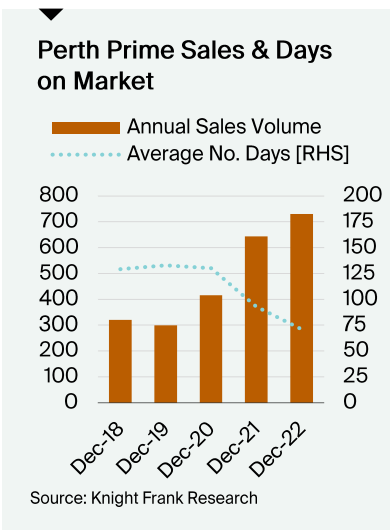
Perth ranked 27th from 45 global cities for prime annual price growth. Over the year to December 2022, capital growth increased 1.3% for prime homes, and rose 0.9% over the past quarter.

Prime residential prices in Perth are forecast to increase 1% by the end of 2023, and by a further 2% in 2023 and 3% in 2025 according to Knight Frank Research.

Perth prime rental performance

Prime residential gross rental yields trended up 9 bps to 1.91% over the last quarter of 2022 in Perth. One year ago, this prime rental yield was recorded at 1.78%.

Rents increased 4.6% for prime homes over the December 2022 quarter, to total 8.3% growth in the past year.



BRISBANE PRIME



Brisbane prime sales performance

In the December 2022 quarter, Brisbane prime residential sales volume trended down 3% with 175 homes transacting above \$2 million. Overall annual sales volume trended 5% lower, to total 733 sales.

The average days on market for a prime home stood at 51 days in the December 2022 quarter. One quarter ago, this was 48 days.

Brisbane prime price performance

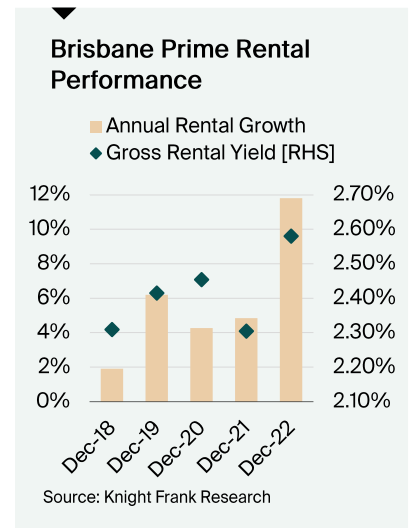
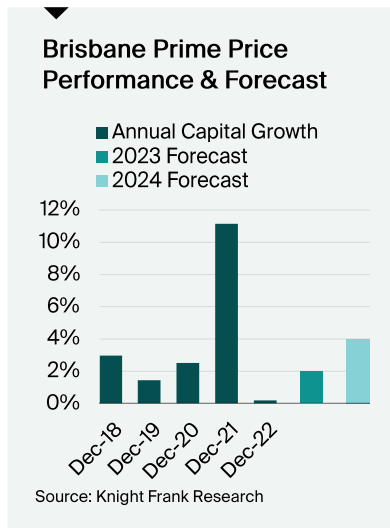
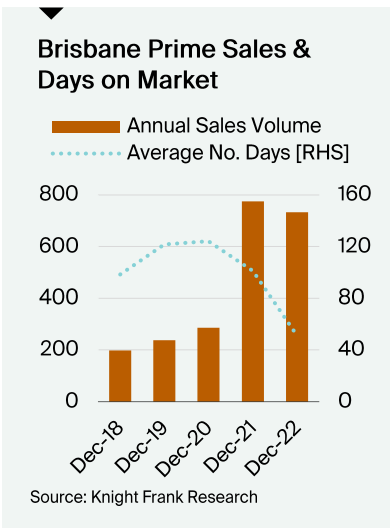
Globally, Brisbane ranked 32nd from 45 cities for prime annual price growth. Over the year to December 2022, capital growth increased 0.2% for prime homes, but rose 0.8% in the past quarter.

Knight Frank Research forecast Brisbane prime prices to increase a total of 2% by the end of 2023, a further 4% in 2024, with 4% growth in 2025.

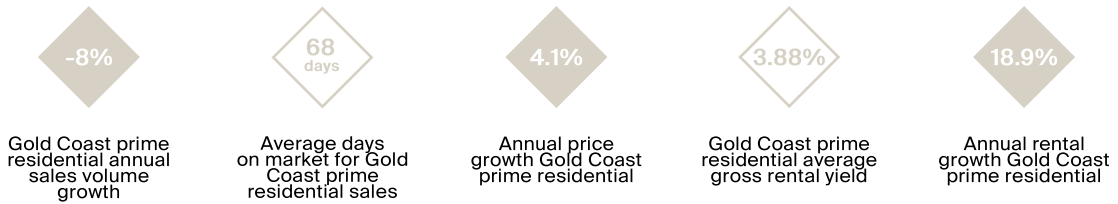
Brisbane prime rental performance

Gross rental yields for Brisbane prime residential rose 15 bps to 2.58% in the last quarter of 2022. A year ago, this prime yield was recorded at 2.30%.

Rents for prime homes increased 6.7% over this same quarter, rising by a total 11.8% in the past year.



GOLD COAST PRIME



Gold Coast prime sales performance

Prime sales volume on the Gold Coast decreased 12% in the December 2022 quarter, with 187 residential homes selling higher than \$2 million. Annual sales volume is 8% lower than a year ago, with 857 sales.

Gold Coast prime homes averaged 68 days on the market before selling in the December 2022 quarter. One quarter ago, this was 66 days.

Gold Coast prime price performance

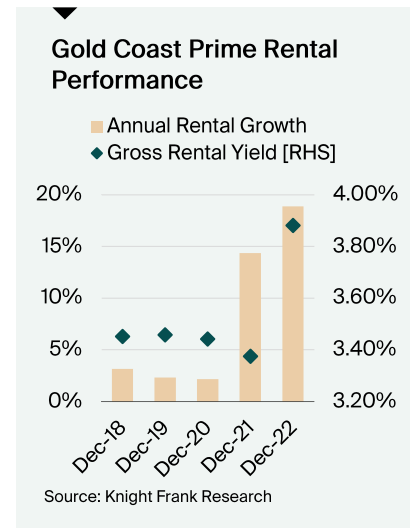
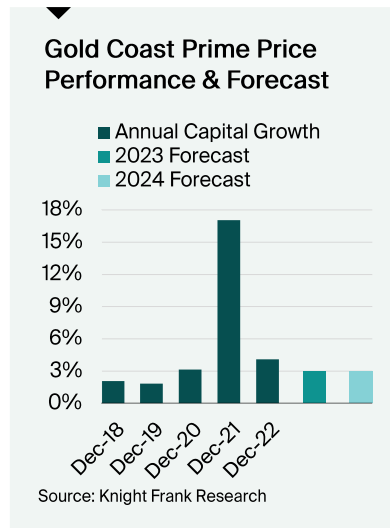
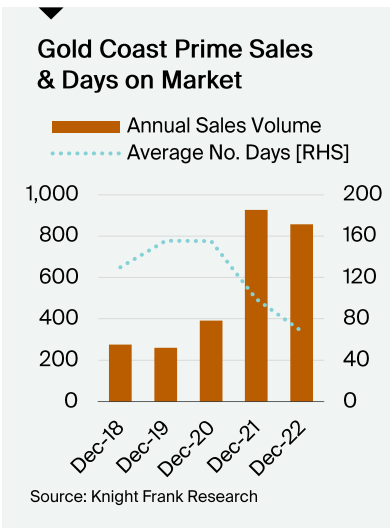
Gold Coast ranked 14th from 45 global cities for prime annual price growth. Over the year to December 2022, capital growth increased 4.1% for prime homes, although was down 0.8% in the past quarter.

Prime residential prices on the Gold Coast are forecast to increase a total of 3% by the end of 2022, by 3% in 2024 and a further 3% in 2025, according to Knight Frank Research.

Gold Coast prime rental performance

Gross rental yields for Gold Coast prime residential trended up 17 bps to 3.88% in the last quarter of 2022. One year ago, this prime rental yield was recorded at 3.37%.

Rents increased 5.3% for prime homes over the December 2022 quarter, to total 18.9% growth in the past year.



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 A\$3 million in Sydney and Melbourne and A\$2 million in Brisbane, Perth and the Gold Coast.

Ultra-high-net-worth individual (UHNWI) or ultra-wealthy, is someone with a net worth of over US\$30 million including their primary residence.

Currency reference to dollars or \$ refers to Australian dollars (AUD), unless stated.

Geographies for prime regions

Sydney includes the postcodes: Inner Sydney: 2000, 2006-2011; Eastern Suburbs: 2021-2031; Inner West: 2037-2050, 2110, 2137; Lower North Shore: 2060-2069, 2088-2090; Upper North Shore: 2070-2077, 2079-2087; Northern Beaches: 2092-2097, 2099-2108; Southern Beaches: 2219, 2221, 2224, 2229, 2230.

Melbourne includes the postcodes: Inner Melbourne: 3000, 3002, 3004-3006, 3008, 3013, 3053, 3065; Inner East: 3121, 3141, 3181-3182; Bayside: 3184-3188, 3191, 3193, 3195-3196, 3205-3207; Eastern Suburbs: 3101-3104, 3122-3127, 3142-3146.

Brisbane includes the postcodes: Inner Brisbane: 4000, 4005-4011, 4151; Inner South: 4074-4075, 4101, 4105, 4153-4155, 4169-4173, 4178-4179; Inner West: 4051, 4059-4061, 4064-4069.

Perth includes the postcodes: Inner Perth: 6000, 6004-6005, 6008; Western Suburbs: 6009-6012, 6014-6015, 6019-6020; Inner South: 6151-6156; South: 6158-6160.

Gold Coast includes the postcodes: 4212, 4215-4221, 4226.

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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