

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



# Australian Prime Residential Review

Q3 2022

[knightfrank.com/research](https://knightfrank.com/research)



# AUSTRALIAN RESIDENTIAL MARKET

*How have the prime luxury residential markets performed across Australia's major cities?*

## Australia's prime luxury residential market

The prime luxury residential market continues to see strength as it travels at a distinct pace across many of the cities across Australia, when compared to the mainstream residential market.

When drawing comparison between the two residential markets, the first indicator to consider is the change in sales volume, being quite often, a leading signal towards the future trajectory of home prices.

The mainstream market saw a decline of 18.5% in sales volume in Q2 2022, to overall record a -0.1% change over the past year. This has led to median prices falling by 0.7% over the second quarter, in tandem with the increase to mortgage lending rates, as annual price growth tapers back to 8.9%.

Looking at the prime residential market, which hasn't been as

impacted, sales volume rose by 9.8% in the June 2022 quarter, to total 27.1% annual sales growth. As a result, prime prices continued to grow, albeit by 0.2% in the similar quarter, with 8.8% overall annual growth.

Reflecting the shallow listing of homes currently being advertised, both the mainstream and prime residential markets continue to see an historic low number of days required to achieve a sale. In June 2022, the mainstream market took 62 days (down from a peak of 137 days in September 2020), whilst 68 days were required in the prestige market (this was 122 days in September 2020, although this was once 144 days ten years ago).

A tipping point was also observed in the middle of 2022 when gross rental yields for residential investors did an about-turn and began to modestly rise. Across Australian residential markets, prime properties achieved an average

of 2.60%, whilst the mainstream remains higher with 3.68%.

As capital values begin a correction phase off-the-back of significant growth through the pandemic, annual rental growth is shooting higher—by 9.1% for the prime residential market (up 1.4% in Q2)—and higher again for the mainstream market, at an annual 11.5%, with a 2.1% rise in Q2 alone.

A huge influence driving up rents is rental vacancy across Australia at 2.1% in June 2022, the lowest recorded since March 2011 (at 1.9%). This is long way from a balanced rental market of 3%.

This rental situation isn't likely to recover for several years given the diminishing pipeline of new homes being built across all quality grades. This will be amplified as migration picks up, while the pressure remains for developers from the cost of materials, labour, and time delays.



**Key Drivers**

Reviewing key drivers impacting wealth creation is imperative for the prestige residential market. Global and local headwinds continue to surface and are being amplified by the ongoing rise in inflation around the world.

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.

Building on wealth created from capital preservation, capital appreciation and income generation, Australia’s UHNW population is forecast to grow by a further 30.9% over the next five years according to the Knight Frank [Wealth Sizing Model](#).

Over the past six consecutive months, the Reserve Bank of Australia has taken steps to normalise local monetary conditions by lifting the official cash rate target. This rate was last increased 25 bps, to 2.60%, on 4 October 2022.

New private business investment grew by 1.4% in the year to June 2022. Although this was down from 7.2% annual growth six months earlier, and 8.3% growth one year ago.

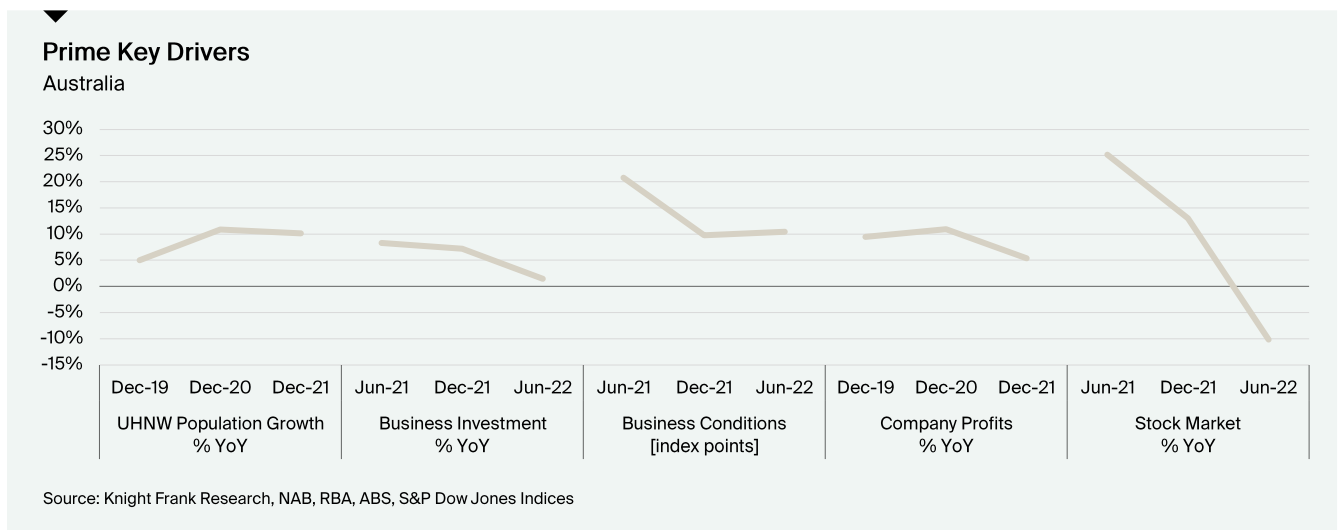
Results from the NAB monthly business survey reveal business conditions fell 2.3 pts in June 2022 to +10.5 index points. This is a change of pace from the 9.8 pts recorded in December 2021.

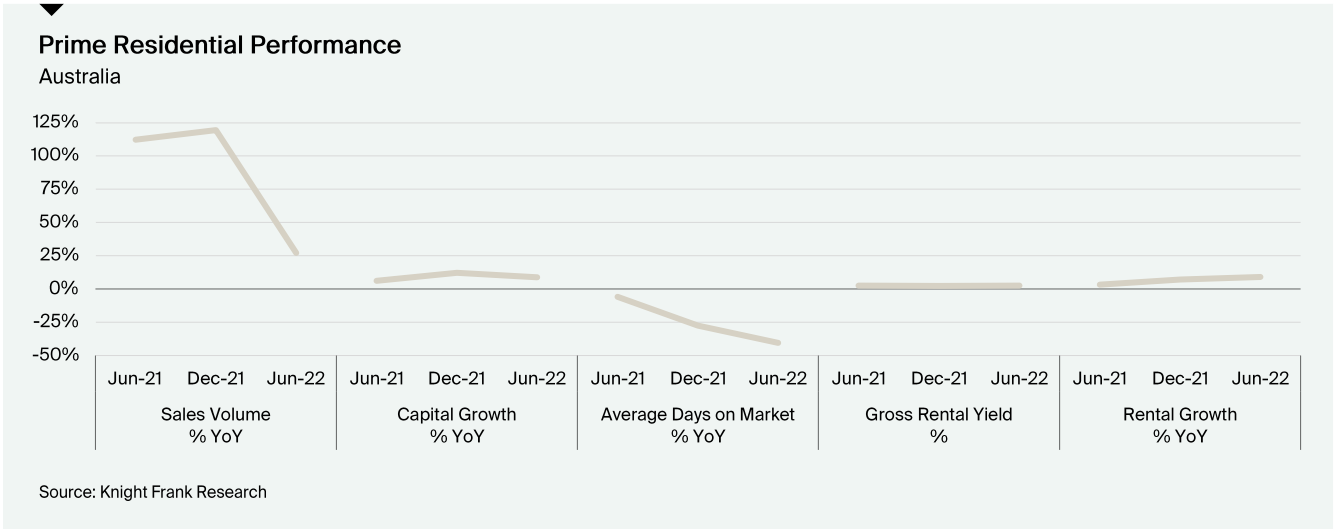
Across Australia, company profits rose 5.4% in 2021, after recording 10.9% growth in 2020.

Oxford Economics have forecast company profits to rise by 17.1% by the end of 2022, before falling 6.4% in 2023, to recover slightly at -0.3% in 2024.

Australia’s stock market performance on the S&P/ASX 200 eased in the second quarter of 2022 with a fall of 12.6%, to calculate total annual change of -10.2% in the year to June 2022.

After the average stock market gains in 2021 of 17.5%, Oxford Economics forecast the performance will fall to -2.2% by the end of 2022, before rising by 6.5% growth in 2023.





### Performance and Outlook for Australian Prime Residential Market

The volume of prime sales across Australia trended up 9.8% in the June 2022 quarter to 1,809 residential homes (houses and apartments). The annual sales volume is 27.1% higher than a year ago with a total of 7,960 transactions. Over this time, Brisbane saw the greatest growth in prime annual sales volume at 56%, followed by the Gold Coast at 53%.

The average number of days a prime Australian home was listed on the market was 68 days in the June 2022 quarter. This was 76 days one quarter ago. Over this time, Brisbane prime properties were on the market 12 days

less on average, the biggest reduction in days recorded across Australia.

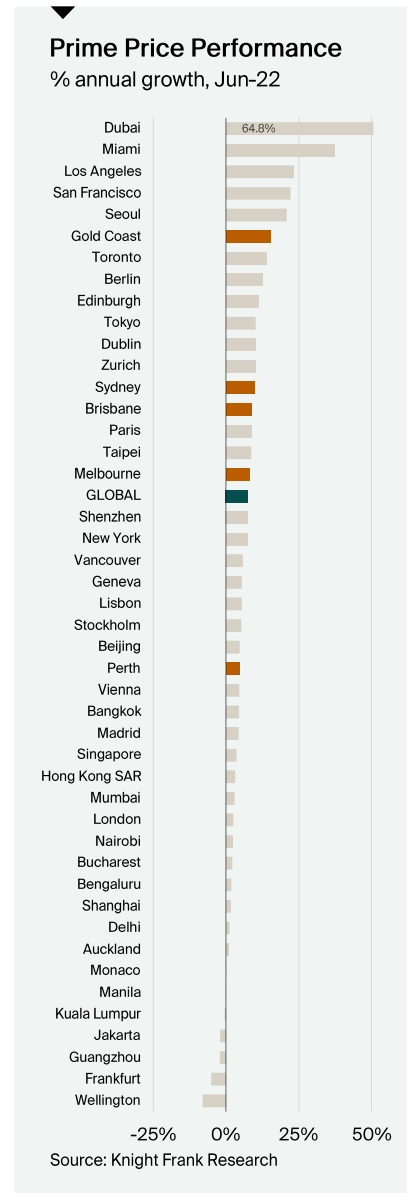
Capital growth for Australian prime property rose 0.2% in the second quarter of 2022, rising 8.8% over the year to June 2022.

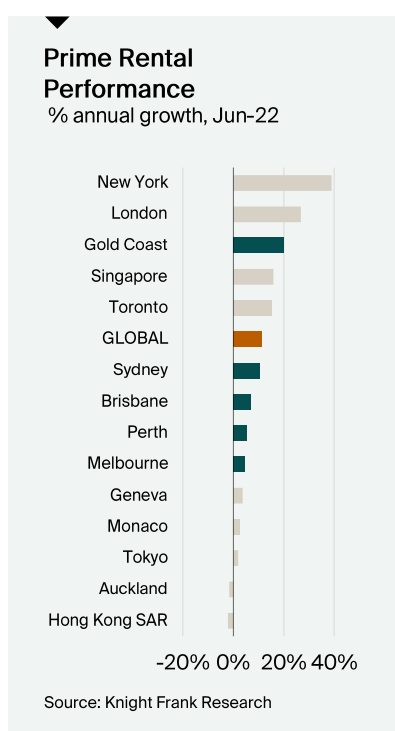
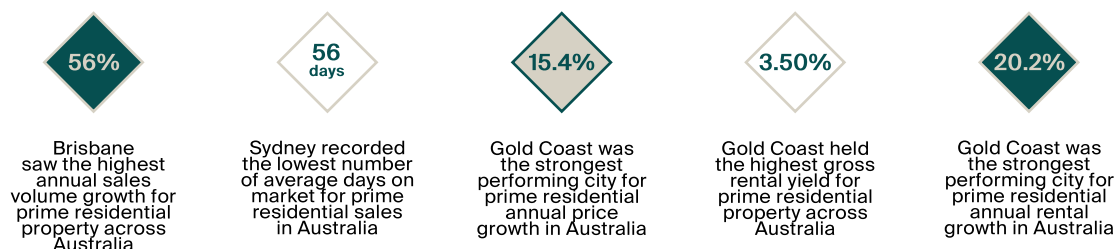
Overall, Australia's prime price performance trended above the average 7.5% global annual growth as reported in the Knight Frank [Prime Global Cities Index](#). Australia had four major cities trending above the global average and represented in the top 17.

Across the five major Australian cities, Gold Coast prime residential values performed the strongest over this time

AUSTRALIAN CITIES PRIME RESIDENTIAL PRICE PERFORMANCE	GLOBAL RANK Jun-22 (Rank one year ago)	ANNUAL GROWTH RATE Jun-22 (Rate one year ago)
GOLD COAST	6 (19)	15.4% (7.5%)
SYDNEY	13 (20)	9.9% (6.5%)
BRISBANE	15 (21)	8.9% (5.8%)
MELBOURNE	17 (26)	8.2% (3.6%)
PERTH	26 (17)	4.6% (8.1%)
GLOBAL	-	7.5% (8.2%)

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





with 15.4% annual growth, ranking 6th from 45 global cities. Sydney in position 13 (9.9%) and Brisbane in position 26 (8.9%) ranked next best.

As the world reopens to looming economic challenges, the ultra-wealthy population will likely continue being active in the prime residential market. However, it's likely double-digit growth will be replaced with modest annual price growth in the quarters ahead.

The Australian prime residential market is forecast to reach 4% annual growth by the end of 2022, with steady growth in 2023, before rising again 3% in 2024. This is due to the ongoing undersupply of new builds and established listings of prestige homes across most parts of the country.

From an investment perspective, gross rental yields were lifted by 4 bps in the second quarter of 2022, as Australian prime residential property averaged 2.60%. At this time, the Gold Coast recorded the strongest prime rental yield at 3.50%.

Rental growth for Australian prime property was up 1.4% in the June 2022 quarter, rising 9.1% over the previous year. This was below the annual global average of 11.3% tracked in the Knight Frank Prime Global Rental Index.

At a city level, the Gold Coast was the only major Australian city to trend above the global average, with 20.2% prime rental growth. The next most annual escalation for prime rents was in Sydney (10.4%) and Brisbane (7.1%).

MAJOR CITIES PRIME RESIDENTIAL Jun-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	4,547	962	642	828	981	7,960
SALES VOLUME   YoY	22%	39%	-3%	56%	53%	27%
AVE. DAYS ON MARKET	56	72	72	67	70	68
CAPITAL GROWTH   YoY	9.9%	8.2%	4.6%	8.9%	15.4%	8.8%
CAPITAL GROWTH   Global Rank *	13	17	26	15	6	-
CAPITAL GROWTH   2022 Forecast	5%	4%	3%	4%	6%	4%
CAPITAL GROWTH   2023 Forecast	0%	-1%	1%	2%	3%	0%
GROSS RENTAL YIELD	2.08%	2.68%	1.79%	2.37%	3.50%	2.60%
RENTAL GROWTH   YoY	10.4%	4.6%	5.5%	7.1%	20.2%	9.1%

Source: Knight Frank Research

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

# SYDNEY PRIME



## Sydney prime sales performance

In the June 2022 quarter, Sydney prime residential sales volume trended up 10.9% to 958 homes selling higher than \$3 million. Annual sales volume trended 21.6% higher, to total 4,547 sales.

The average days on market for a prime home stood at 56 days in the June 2022 quarter. One quarter ago, this was 67 days.

## Sydney prime price performance

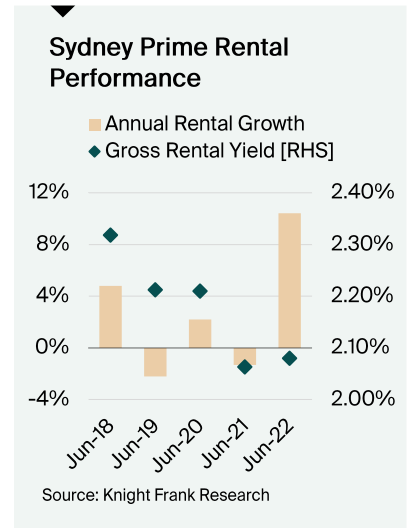
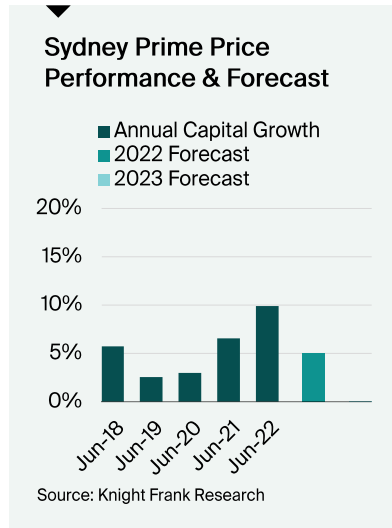
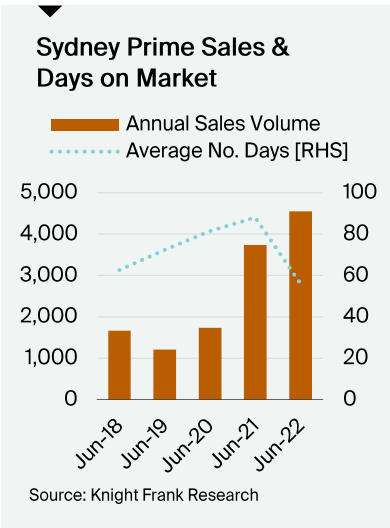
Globally, Sydney ranked 13th from 45 cities for prime annual price growth. Over the year to June 2022, capital growth increased 9.9% for prime homes, but fell -0.6% in the past quarter.

Prime residential prices in Sydney are forecast to increase a total of 5% by the end of 2022, then remaining steady in 2023, before 3% growth in 2024 according to Knight Frank Research.

## Sydney prime rental performance

Gross rental yields for Sydney prime residential property rose 5 bps to 2.08% in the second quarter of 2022. A year ago, this prime yield was recorded at 2.06%.

Rents for prime homes increased 2.0% over this same time, increasing a total of 10.4% over the past year.





# MELBOURNE PRIME



## Melbourne prime sales performance

Prime sales volume in Melbourne increased 53.8% in the June 2022 quarter to 246 residential homes transacting above \$3 million. While annual sales volume is 38.6% higher than a year ago, with 962 sales.

Melbourne prime homes averaged 72 days on the market before selling in the June 2022 quarter. One quarter ago, this was 73 days.

## Melbourne prime price performance

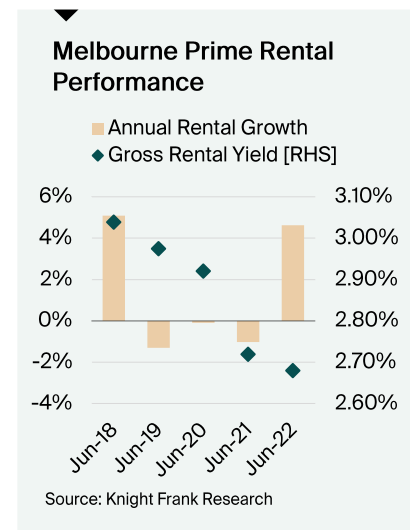
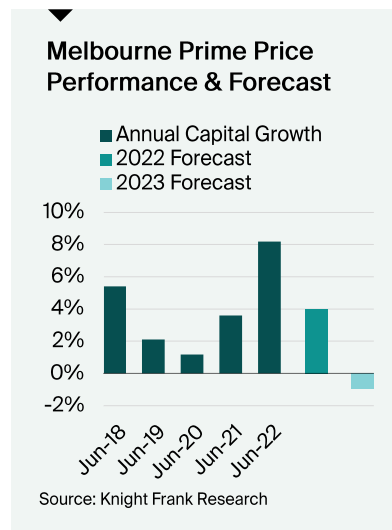
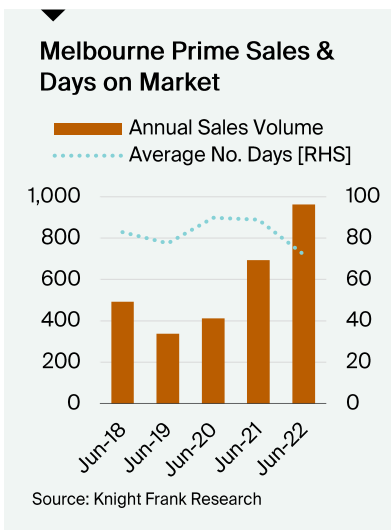
Melbourne ranked 17th from 45 global cities for prime annual price growth. Over the year to June 2022, capital growth increased 8.2% for prime homes, but down 0.3% in the past quarter.

Knight Frank Research forecast Melbourne prime prices to increase a total of 4% by the end of 2022, but likely to experience a decline of 1% in 2023, before rising 1% in 2024.

## Melbourne prime rental performance

Gross rental yields for Melbourne prime residential remained unchanged at 0 bps to 2.68% over the second quarter of 2022. One year ago, this prime rental yield was recorded at 2.72%.

Rents decreased 0.8% for prime homes over the June 2022 quarter, to total 4.6% growth in the past year.



# PERTH PRIME



## Perth prime sales performance

Across the prime regions in Perth, sales volume rose 3.7% in the June 2022 quarter to 198 residential homes selling higher than \$2 million. While annual sales volume is 2.7% lower than a year ago, with a total of 642 sales.

Prime homes averaged 72 days on the market before selling in the June 2022 quarter. One quarter ago, this was 78 days.

## Perth prime price performance

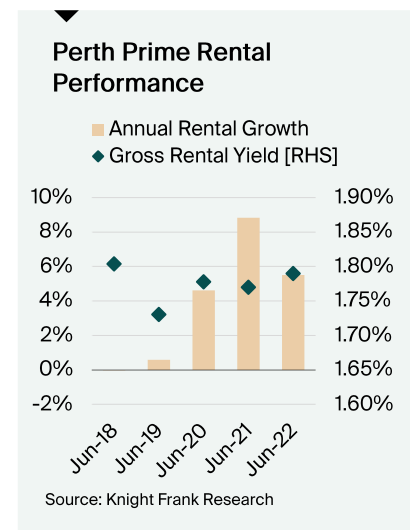
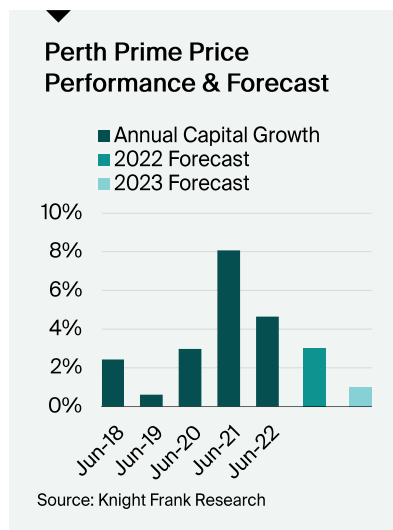
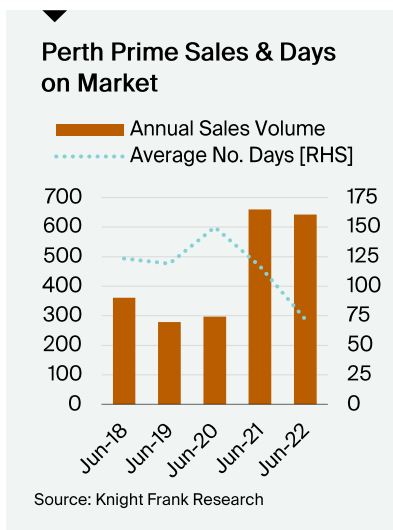
Perth ranked 26th from 45 global cities for prime annual price growth. Over the year to June 2022, capital growth increased 4.6% for prime homes, rising 0.1% over the past quarter.

Prime residential prices in Perth are forecast to increase a total of 3% by the end of 2022, and a further 1% in 2023 and 2% in 2024 according to Knight Frank Research.

## Perth prime rental performance

Prime residential gross rental yields trended down 2 bps to 1.79% over the second quarter of 2022 in Perth. One year ago, this prime rental yield was recorded at 1.77%.

Rents decreased 0.8% for prime homes over the June 2022 quarter, to total 5.5% growth in the past year.





# BRISBANE PRIME



### Brisbane prime sales performance

In the June 2022 quarter, Brisbane prime residential sales volume trended down 9.9% with 199 homes transacting above \$2 million. Although annual sales volume trended 55.9% higher, to total 828 sales.

The average days on market for a prime home stood at 67 days in the June 2022 quarter. One quarter ago, this was 79 days.

### Brisbane prime price performance

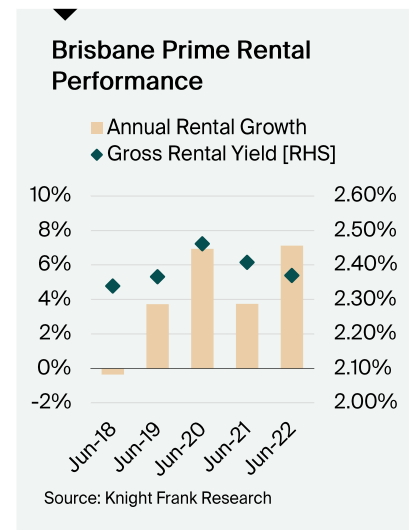
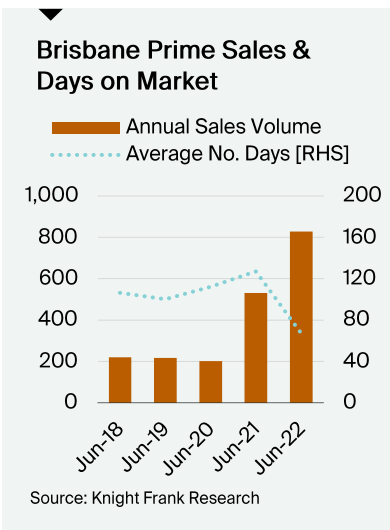
Globally, Brisbane ranked 15th from 45 cities for prime annual price growth. Over the year to June 2022, capital growth increased 8.9% for prime homes, but remaining steady at 0.0% in the past quarter.

Knight Frank Research forecast Brisbane prime prices to increase a total of 4% by the end of 2022, a further 2% in 2023 before 4% growth in 2024.

### Brisbane prime rental performance

Gross rental yields for Brisbane prime residential rose 5 bps to 2.37% in the second quarter of 2022. A year ago, this prime yield was recorded at 2.41%.

Rents for prime homes increased 2.1% over this same time, increasing 7.1% in the past year.



# GOLD COAST PRIME



## Gold Coast prime sales performance

Prime sales volume on the Gold Coast decreased 17.1% in the June 2022 quarter, to 208 residential homes selling higher than \$2 million. While annual sales volume is 53.3% higher than a year ago, with 981 sales.

Gold Coast prime homes averaged 70 days on the market before selling in the June 2022 quarter. One quarter ago, this was 81 days.

## Gold Coast prime price performance

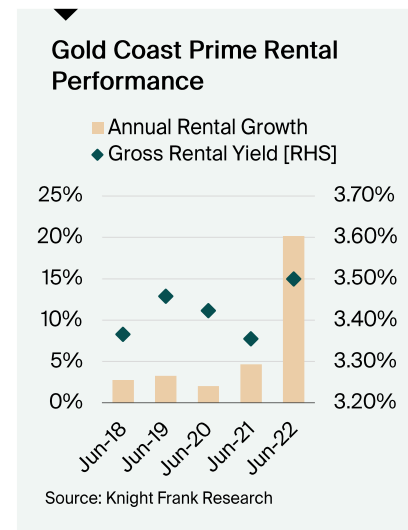
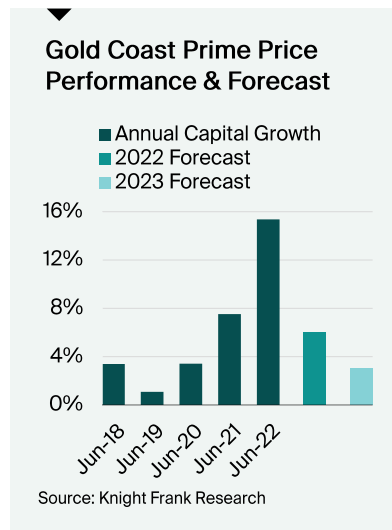
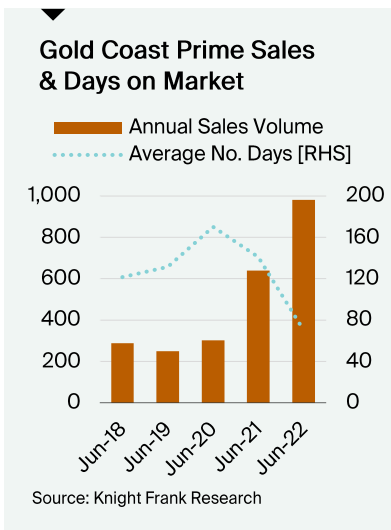
Gold Coast ranked 6th from 45 global cities for prime annual price growth. Over the year to June 2022, capital growth increased 15.4% for prime homes, up 1.7% in the past quarter.

Prime residential prices on the Gold Coast are forecast to increase a total of 6% by the end of 2022, by 3% in 2023 and a further 3% in 2024, according to Knight Frank Research.

## Gold Coast prime rental performance

Gross rental yields for Gold Coast prime residential trended up 11 bps to 3.50% over the second quarter of 2022. One year ago, this prime rental yield was recorded at 3.36%.

Rents increased 5.1% for prime homes over the June 2022 quarter, to total 20.2% 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.**



### Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



### Residential

Erin van Tuil

+61 2 9036 6699

erin.vantuil@au.knightfrank.com

### Media Enquiries

Caroline Stanley

+61 402 170 901

cstanley@gracosway.com.au

## Recent Publications



Rightsizing 2022



Australian Waterfront Premium 2022



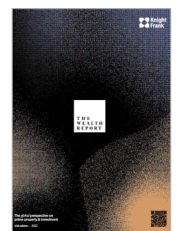
Branded Residences 2022



Prime Global Cities Index Q2 2022



Prime Global Rental Index Q2 2022



The Wealth Report 2022

**Knight Frank Research Reports are available at [knightfrank.com/research](https://knightfrank.com/research)**



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice © Knight Frank Australia Pty Ltd 2022 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.