

RESIDENTIAL RESEARCH



AUSTRALIAN PRIME WATERFRONT INDEX

2020

HOW DOES A LOCATION AFFECT THE WATERFRONT PREMIUM?

KEY FINDINGS

Prime waterfront properties can command a 63% premium on average across Australia.

Sydney offers the potential for the most added value, followed by the Gold Coast and Perth.

Absolute waterfront properties on the harbour have the potential to push the premium up to as much as 97%.



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THE WATERFRONT PREMIUM

Prime absolute waterfront properties in Australia are worth up to 63% more than their inland counterparts on average, according to Knight Frank's Prime Waterfront Index.

The Prime Waterfront Index measures how much uplift value an absolute waterfront location can add to a property. When examining this premium across Australia, prime waterfront properties are worth an average of 63% more than their inland counterparts.

A closer look at each of the major Australian cities for prime property, reveals that the premium varies by location, with Sydney—famed for its iconic harbour—offered the most added value at up to 94.9% in Q3 2019. This was up from 89.3% a year earlier.

Across the country, the Sydney suburbs of Mosman (14), Point Piper (12) and Rose Bay (6) saw the highest number of absolute waterfront properties sold in the three years to Q3 2019.

The very best waterfront homes on the Gold Coast commanded premiums up to 66.5% in Q3 2019 (up from 64.1% in Q3 2018), Perth saw uplift of 53.6% (similar to one year ago) while Brisbane recorded 45.1%. This was the first year Brisbane was included in the index.

Melbourne bucked this trend, falling from 30.4% to 27.3% - waterside living not as desirable as being well-located to private schools and traditional shopping villages.

Considering the array of various location types spanning Australia, homes situated on the harbourfront commanded the largest uplift of up to 97%, driven by Sydney's 'money shot' with both the Sydney Harbour Bridge and Opera House within the frame.

Prime coastal properties enjoyed an uplift of up to 61% compared to similar properties inland, while the most prevalent prime waterfront living across the cities being on the riverfront, achieved a premium value of more than 57%. Less common across the cities, canal waterfronts saw a 50% uplift in value.

Our data suggests the portion of absolute waterfront properties in Australia was 42% in the year to Q3 2019, when recorded against the total number of super-prime sales occurred throughout Australia.

This was the highest share logged when benchmarked to previous years—where the portion of total super-prime sales ranged from a low 28% in the year 2014, and 39% most recently in the year 2018.

The demand for super-prime waterfront property comes from a variety of buyers, ranging from an emotional purchase, to a sole financial purpose given waterfront properties are generally the most liquid within each market.

Such locations benefit from their appeal to families upsizing, and downsizers often moving within the local area or seeking a lifestyle change, also the attractiveness as second home.

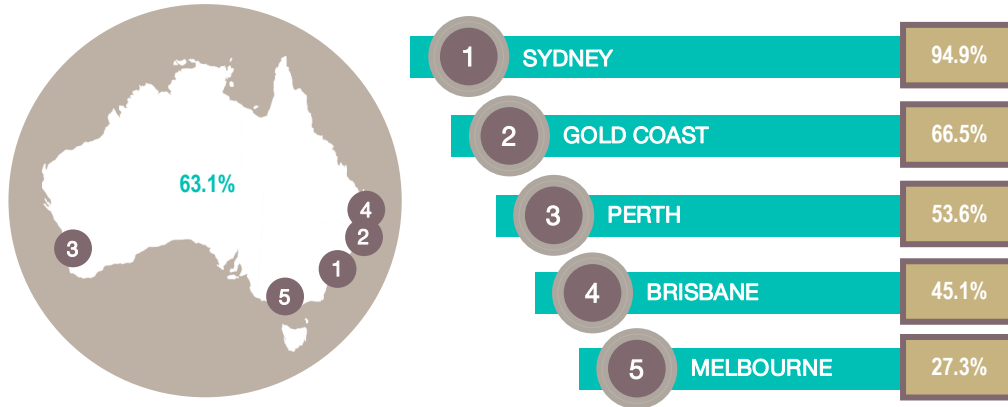
Analysing the distribution of Australian super-prime properties on the waterfront sold in the year to Q3 2019, disclosed the most popular were those homes located on the coast—representing 46% of all absolute waterfront properties transacted.

Harbourfront properties represented 25% of the super-prime waterfront properties sold over this time, riverfront properties recorded a share of 21%, while waterfront canal properties comprised 8% of the mix.

Beyond the waterfront location, access to amenities is also a critical factor for many buyers and having direct access to water is something many buyers are willing to pay an additional premium for.

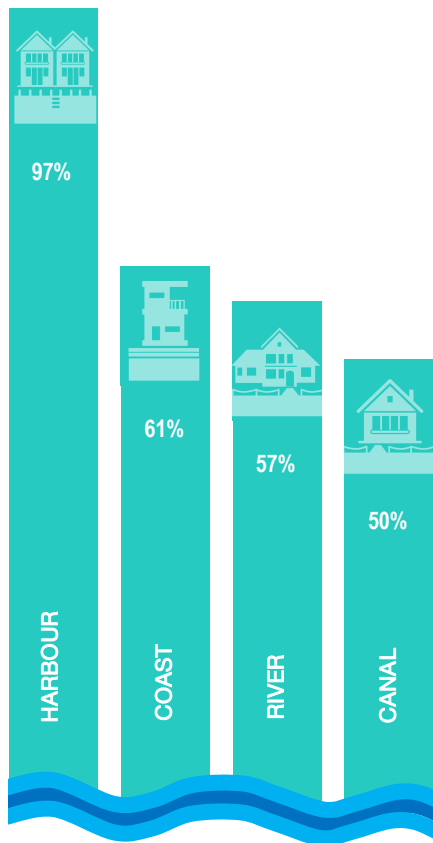
Further analysing the absolute waterfront super-prime sales over the year to Q3 2019, found that 46% had exclusive access to maritime facilities including a mooring, jetty, pontoon or slipway.

FIGURE 1
Knight Frank Australian Prime Waterfront Index
 Waterfront premium valuation calculated as at Q3 2019



Source: Knight Frank Research

FIGURE 2
Property waterfront location and potential uplift in value, Australia
 Valuation calculated as at Q3 2019

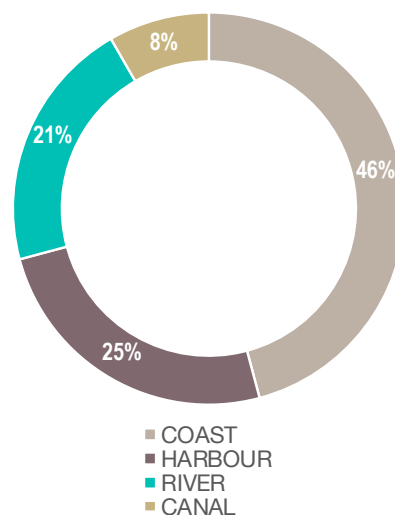


Source: Knight Frank Research

46% Absolute waterfront properties with exclusive access to maritime facilities
 —the portion of Australian super-prime residential properties purchased in the year to Q3 2019.

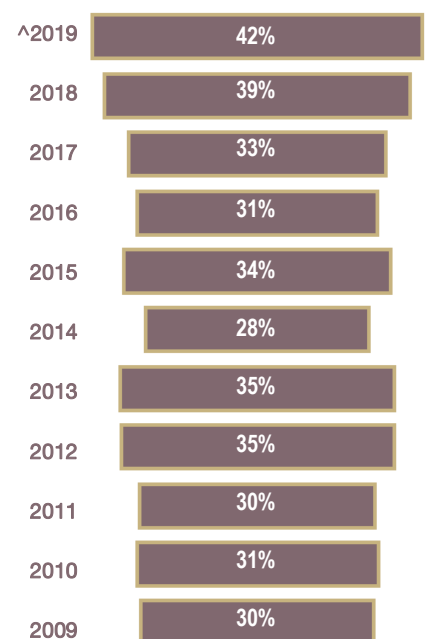
Source: Knight Frank Research

FIGURE 3
Distribution of super-prime waterfront sales, by type of waterfront, Australia
 Number of sales, year to Q3 2019



Source: Knight Frank Research

FIGURE 4
Portion of super-prime residential sales with absolute waterfront, Australia
 Number of sales, ^year to Q3 2019



Source: Knight Frank Research

Definitions

Prime (luxury) 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 sales reported hold a threshold of AU\$3 million in Sydney and Melbourne, with all other cities captured above AU\$2million.

Super-prime sales reported hold a threshold of AU\$10 million in Sydney and Melbourne, with all other cities captured above AU\$7 million.

Coast includes properties on the absolute waterfront of a beach and bay.

Note: Unless stated, all references to dollars or \$ refer to Australian dollars (AUD).

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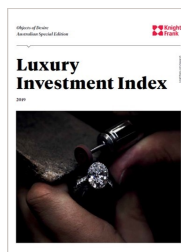
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