



Wealth trends



Prime sales, price and rental performance



Prime development pipeline



# Melbourne Prime Residential Review

Q3 2021

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# MELBOURNE PRIME RESIDENTIAL

*Melbourne's prime luxury market has shown resilience over recent months with an upward trajectory in prices and compression in the number of days prestige homes are on the market by a little over a week, both contributing to a stronger outlook for the city.*

## Wealth trends

Australian **ultra-high-net-worth individuals** (UHNWIs) grew by 10.9% in 2020, to 3,124 people with net wealth of US\$30m+. This UHNW population is **forecast to grow** annually by 3.8% over the next five years. Melbourne had the second highest share (20%) with 629 UHNWIs.

Australia's **stock market** has continued a stellar run and saw gains of 7.7% in the second quarter of 2021, taking annual growth to 25.2% (S&P Dow Jones Indices). **Business conditions** strengthened, moving 21.9 percentage points above the average (NAB).

Total **new private investment** was down 3.6% at the end of 2020, but is forecast to rebound to 10.5% annual growth in 2021 (Oxford Economics). Melbourne ranked 46th place in 2021 on the Knight Frank **City Wealth Index**, based on factors such as wealth, investment and lifestyle.

## Prime sales performance

Across Melbourne's prime regions, the **volume of sales** in Q2 2021 tallied at 222 prime properties (\$3m-\$10m). This was 24% higher than Q1 2021, and up 59% in the year ending June 2021.

The number of Melbourne super-prime (\$10m+) sales also trended higher, up

by 42% in Q1 2021 to record 17 sales, with total growth of 375% over the past year.

The **average days on market** for a prime property in Melbourne was 89 days in Q2 2021. This was 97 days one quarter ago.

## Prime price performance

Globally, Melbourne ranked 26th from 46 cities for annual price growth.

**Capital growth** for prime property rose 3.6% over the past year to June 2021, up 2.2% in the last quarter. Knight Frank Research **forecast** Melbourne prime prices to increase a total of 5% by the end of 2021 and a further 3% in 2022.

Over the year ending June 2021, those buying with Pound Sterling (at an additional 3%) were ranked most advantaged for major **currencies** when buying Melbourne prime property. In terms of **relative value** at this time, one could buy 87 sqm of internal luxury floorspace in Melbourne for US\$1 million, compared to 46 sqm in Sydney or 22 sqm in Hong Kong SAR.

## Prime rental performance

**Gross rental yields** for Melbourne prime property trended down 8 bps to 2.72% in Q2 2021. A year ago, this yield was recorded at 2.92%. In Q2 2021, **rental growth** fell by 0.4% for prime

properties in Melbourne. Over the past year, rental growth decreased by 1.0%.

## New prime development pipeline

A total of 13,875 medium- and high-density **new apartments and townhouses** were completed in Melbourne's prime regions in 2020. This was 63% above the number built in 2019 and above the 3-year average of 9,625 new apartments and townhouses.

Compared to 2020, there are 46% less apartments and townhouses forecast to be completed in 2021, with 7,450 currently under construction. In 2021, the greatest distribution of new apartments and townhouses will be in found in Inner Melbourne (4,675) and the Eastern Suburbs (1,100). This is followed by Bayside (1,000) and Inner East (675).

Collectively across the Melbourne prime regions 3-year pipeline, the **distribution of bedrooms** being built have been weighted towards 2-bed configured apartments with 36% of the total share, followed by studio & 1-bed (32%) then 3-bed+ (33%).

Melbourne **new prime apartment prices** have remained steady in 2020 at an indicative \$23,750/sqm; to range between an average of \$19,000/sqm and \$29,500/sqm.

**MELBOURNE  
PRIME RESIDENTIAL**  
30 June 2021

Capital Growth - Annual	3.6%
Sales Volume - Annual	686
Sales Turnover - Annual	65%
Ave. Days on Market	89
Gross Rental Yield	2.72%
Rental Growth - Annual	-1.0%

Source: Knight Frank Research

**89**  
Average days on market for prime residential properties in Melbourne in Q2 2021

◆ ◆  
“There are 46% less new medium- and high-density completions due in 2021 across Melbourne’s prime regions compared to 2020”  
◆ ◆

**Melbourne prime residential annual sales turnover**

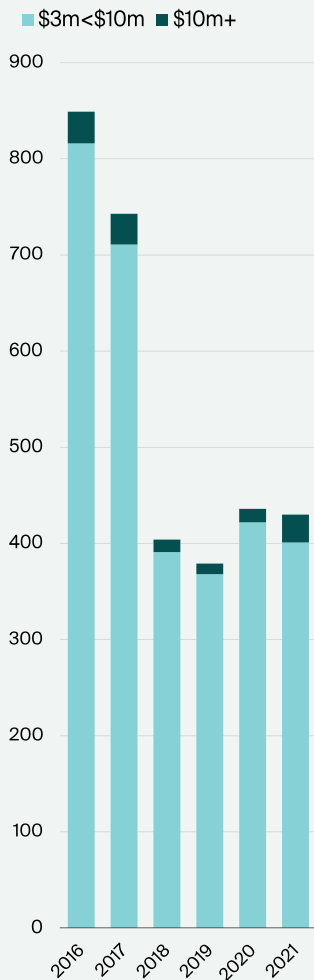


Source: Knight Frank Research

**-1%**  
Growth in Melbourne prime rents between Q2 2020 and Q2 2021

**Melbourne prime sales**

Number of sales, prime regions  
At end of Q1 2021



Source: Knight Frank Research

**65%**

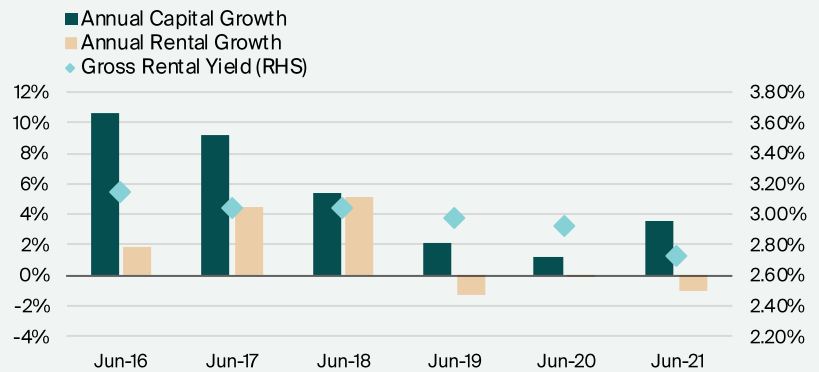
Increase in Melbourne’s prime properties sold over the past year

US\$1m buys 87 sqm of prime residential internal floorspace in Melbourne

US\$1m buys 46 sqm of prime residential internal floorspace in Sydney

Q2 2021

**Melbourne prime residential price and rental performance**



Source: Knight Frank Research

## 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 AU\$3 million in Melbourne prime regions.

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

**Prime regions** cover postcodes in 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.

Currency reference to dollars or \$ refers to 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.**



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