



Wealth trends



Prime sales, price and rental performance



Prime development pipeline & outlook



Melbourne Prime Residential Review

Q4 2020

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MELBOURNE PRIME RESIDENTIAL

As Melbourne's ultra-wealthy population emerge from an extended pandemic lockdown, how has the local Melbourne prestige residential market performed and what impact will this have in the new year?

Wealth trends

Coming into 2020, Australian **ultra-high-net-worth individuals** were projected to grow by 5.2% per annum, by the end of 2024. From 1 April to 30 September 2020, the Australian **stock market** saw gains of 14.6%, driven by health care, technology, materials (commodity related manufacturing) and telecommunication sectors.

Prime sales performance

Across Melbourne's prime regions, the **volume of sales** in the third quarter of 2020 tallied to 87 prime properties. This was 12% above the second quarter volume, and up 25% over the past year.

The **average days on market** for a prime property in Melbourne was 85 days in the September 2020 quarter. This was 90 days one quarter ago.

Prime price performance

Capital growth for prime property rose 0.3% over the past year to September 2020, although fell by 0.7% in the last quarter. Globally, Melbourne ranked 26th from 45 cities for annual price growth.

At the end of September 2020, those buying with the euro were ranked most advantaged for major **currencies** when buying Melbourne prime property. In terms of **relative value** at this time, one could buy 95 sqm of internal

luxury floorspace in Melbourne for US\$1 million, compared to 49 sqm in Sydney or 23 sqm in Hong Kong.

Prime rental performance

Gross rental yields for Melbourne prime property trended up 1 bp to 2.93% over the September 2020 quarter. A year ago this yield was recorded at 2.97%. Over the quarter ending September 2020, **rental growth** rose 0.8% for prime property in Melbourne. Over the past year, rental growth increased by 0.9%.

New prime development pipeline

In mid-2020, there had been 50,655 medium- and high-density **new apartments and townhouses** completed in Melbourne's prime regions since 2015. There are 41,075 more forecast by the end of 2024 in the pipeline; currently under construction or being marketed with DA approval.

In this pipeline, the **distribution of bedrooms** have been weighted towards 2-bed configured apartments with 44% of the total share, followed by studio & 1-bed (35%) then 3-bed+ (21%).

Melbourne **new prime apartment prices** have increased 25.9% since 2015 to an indicative \$17,000/sqm at the end of the first half of 2020; to range between an average of \$15,000/sqm and \$25,000/sqm.

Outlook

The Melbourne prime market will be playing catch-up to other Australian cities although capital growth of 1% is still forecast by the end of 2021.

Not only was Melbourne the last city out of lockdown, it was also the longest and strictest globally at the time, impacting sentiment, population and economic growth.

This meant catching the start of the spring property selling season was sacrificed presenting future challenges, in addition to, a solid pipeline of new apartments and townhouses across the prime regions.

MELBOURNE PRIME RESIDENTIAL PROPERTY as at 30 September 2020

ANNUAL CAPITAL CHANGE	0.3%
ANNUAL CAPITAL CHANGE 2021 FORECAST	1.0%
AVERAGE DAYS ON MARKET	85 days
ANNUAL RENTAL CHANGE	0.9%
GROSS RENTAL YIELD	2.93%

Source: Knight Frank Research

“The third quarter of 2020 recorded 6% more prime sales than the third quarter of 2019 across the prime regions of Melbourne”

25%

Increase in the number of Melbourne prime properties sold over the past year

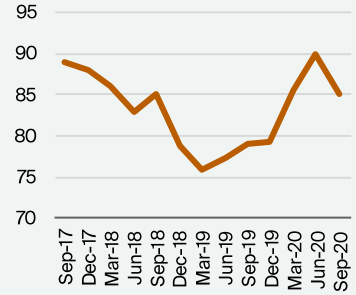
85
Average days on market for prime residential properties in Melbourne in Q3 2020

€1m buys 111 sqm of prime residential internal floorspace in Melbourne

US\$1m buys 95 sqm of prime residential internal floorspace in Melbourne

As at 30-Sep-20

Melbourne prime residential average days on market



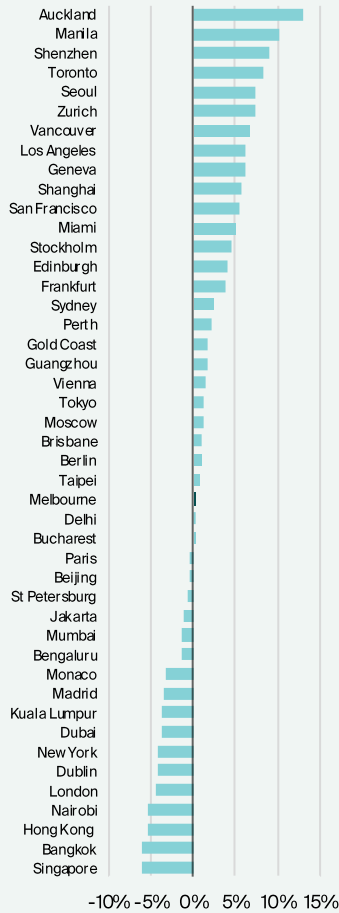
Source: Knight Frank Research

0.9%

Growth in Melbourne prime rents between Q3 2019 and Q3 2020

Prime property price performance

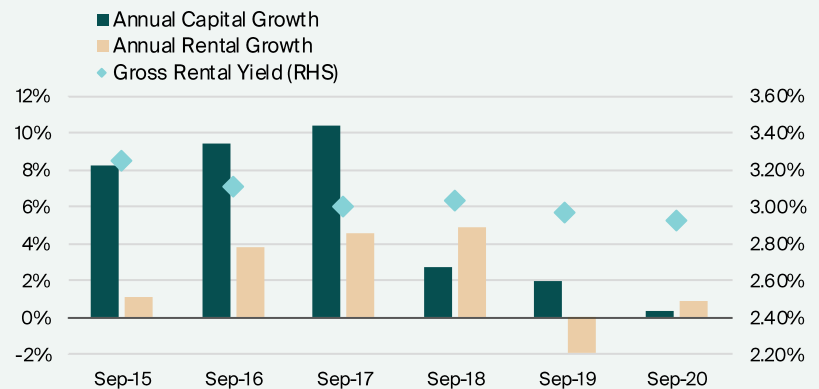
% annual capital growth, as at 30 September 2020



Source: Knight Frank Research

“Melbourne prime residential prices have increased by 0.3% over the year ending September 2020 and forecast to grow by a further 1% by the end of 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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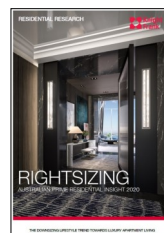
Prime Global Forecast 2021



Global Buyer Survey 2020



Prime Global Cities Index Q3 2020



Rightsizing 2020



Australian Prime Waterfront Index 2020



The Wealth Report 2020

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