



Wealth trends



Prime sales, price and rental performance



Prime development pipeline



Melbourne Prime Residential Review

Q4 2021

knightfrank.com/research



MELBOURNE PRIME RESIDENTIAL

Melbourne's volume of prime sales in the first three quarters of the year has overtaken the annual total recorded over the past three years. Although in Q3 2021 sales have eased, with the number of days a prime property is placed on the market for sale up slightly, bucking the current trend of other major Australian cities.

Wealth trends

Australia's **stock market** performance eased in the third quarter of 2021 with gains of 0.3%, calculating annual growth at 26.1% (S&P Dow Jones Indices).

Business conditions strengthened, moving 2.4 percentage points above the average (NAB).

Total **new private investment** was down 3.6% at the end of 2020, but is forecast to rebound with 10.5% annual growth in 2021 (Oxford Economics).

Ultra-high-net-worth individuals (UHNWIs) grew by 10.9% in 2020, to 3,124 Australians with net wealth of US\$30m+. Australia's 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.

Prime sales performance

Across Melbourne's prime regions, the **volume of sales** in Q3 2021 tallied at 172 prime properties (\$3m-<\$10m). This was 23% lower than Q2 2021, but up 81% in the year ending September 2021.

The number of Melbourne super-prime (\$10m+) sales trended lower, down by 94% in Q2 2021 to record 1 sale, with total growth of 260% over the past year.

The **average days on market** for a prime property in Melbourne was 90 days in Q3 2021. This was 89 days one quarter ago.

Prime price performance

Globally, Melbourne ranked 24th from 46 cities for annual price growth.

Capital growth for prime property rose 6.5% over the past year to September 2021, up 2.1% in the last quarter. Knight Frank Research **forecast** Melbourne prime prices to increase a total of 9% by the end of 2021 and a further 7% in 2022.

Over the year ending September 2021, those buying with Renminbi (+5%) were ranked most advantaged for major **currencies** when buying Melbourne prime property.

In terms of **relative value** at this time, one could buy 88 sqm of internal luxury floorspace in Melbourne for US\$1 million, compared to 44 sqm in Sydney or 21 sqm in Hong Kong SAR.

Prime rental performance

Gross rental yields for Melbourne prime property trended down 3 bps to 2.69% in Q3 2021. A year ago, this yield was recorded at 2.93%.

In Q3 2021, **rental growth** rose by 1.0% for prime properties in Melbourne. Over the past year, rental growth

decreased by 0.8%.

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%).

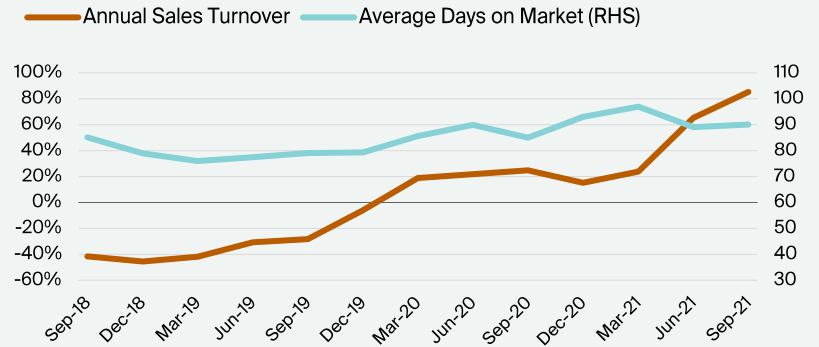
Melbourne **new prime apartment prices** have remained steady in 2020 at an indicative \$23,750/sqm; to range between an average of \$19,000/sqm and \$29,500/sqm.

**MELBOURNE
PRIME RESIDENTIAL**
30 September 2021

Capital Growth YoY	6.5%
Sales Volume Annual	774
Sales Volume YoY	85%
Ave. Days on Market	90
Gross Rental Yield	2.69%
Rental Growth YoY	-0.8%

Source: Knight Frank Research

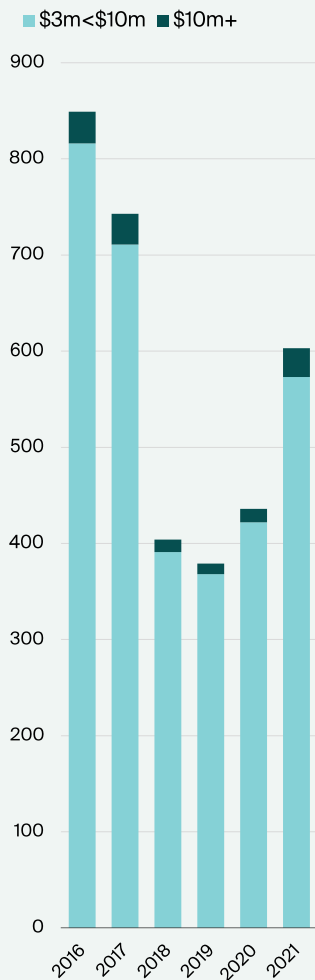
Melbourne prime residential annual sales turnover and average days on market



Source: Knight Frank Research

Melbourne prime sales

Number of sales, prime regions
At end of Q3 2021



Source: Knight Frank Research



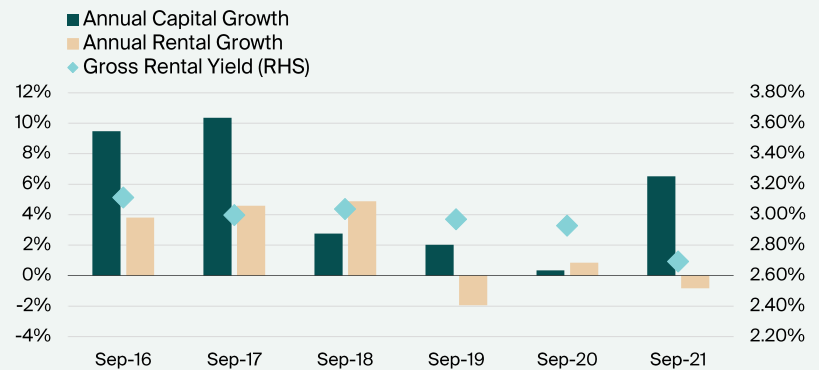
Increase in the number of Melbourne prime properties sold over the past year



Growth in Melbourne prime rents between Q3 2020 and Q3 2021

“Melbourne prime residential prices have increased by 6.5% in the year ending September 2021 and forecast to grow by a further 7% by the end of 2022”

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 A\$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.



Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com



Residential

Shayne Harris

+61 2 9036 6713

shayne.harris@au.knightfrank.com



Franchise Partnerships

Scott Timbrell

+61 2 9761 1823

scotttimbrell@au.knightfrank.com



Valuations

Alistair Carpenter

+61 2 9036 6662

al.carpenter@au.knightfrank.com

Media Enquiries

Caroline Stanley

+61 402 170 901

cstanley@gracosway.com.au

Recent Publications



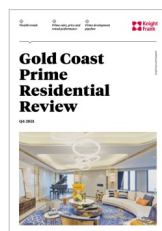
Sydney Prime Residential Review Q4 2021



Brisbane Prime Residential Review Q4 2021



Perth Prime Residential Review Q4 2021



Gold Coast Prime Residential Review Q4 2021



Rightsizing 2022



Australian Waterfront Premium 2022

Knight Frank Research Reports are available at 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 2021 – 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.