

RESIDENTIAL RESEARCH



AUSTRALIAN PRIME RESIDENTIAL REVIEW

2018

WEALTH TRENDS

PRIME PROPERTY

OUTLOOK

KEY FINDINGS

Australian multi-millionaires (net assets US\$5m+) **and ultra-wealthy** (net assets US\$50m+) **population grew 9% in 2017** to 39,280 and 1,260 individuals, respectively.

Australia saw a **net inflow of 10,000 high-net-worth individuals** in 2017 (net worth US\$1m+). Australia remains the top country ranked by net inflow for the third consecutive year, according to New World Wealth.

In Q1 2018, annual **prime residential property values** rose 8.7% in Sydney; 8.3% in Melbourne; 3.6% in Brisbane and 2.8% in Perth.

Across Australia, **US\$1 million could buy 49 sqm** of prime (luxury) internal floor area in Sydney in Q1 2018. In other cities; Melbourne (91 sqm), Brisbane (117 sqm) and Perth (126 sqm).

Australia has also seen significant growth of 47.7% in **luxury car ownership** between 2012 and 2017, when compared to 7.0% growth of economy brand cars.

AUSTRALIAN PRIME RESIDENTIAL MARKET

The performance of Australian residential property continues to travel at multiple speeds with continued capital growth of prime markets across the country.

Wealth Trends

The number of ultra-wealthy people rose by 10% in 2017, taking the global population to 129,730, of those with net assets of US\$50 million or more. The trend in wealth creation has reflected the growing momentum of the global economy since the start of 2017.

Money and people are becoming more mobile than ever. According to The Wealth Report Attitudes Survey 2018, globally, 21% of Ultra-High-Net-Worth Individuals (UHNWIs) plan to emigrate permanently with US\$3 billion spent on purchasing passports and citizenship.

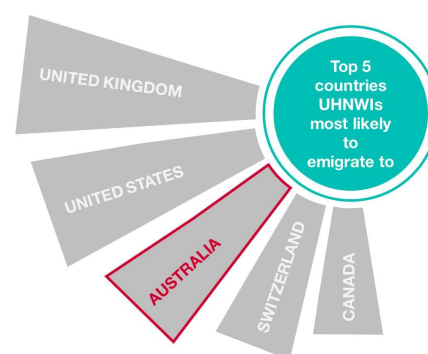
Already 34% of UHNWIs hold a second passport and 29% are planning to purchase one. It was also revealed that 24% of Asian UHNWIs have a second passport and 26% are considering making a purchase to join them.

Australia is the third most-preferred global destination for the world's UNWHI planning to emigrate, behind the United Kingdom and United States (figure 1).

The weight of money allocated to property is set to rise with a 23% portion of global UHNWIs considering buying an international residential purchase this year alone. Australia ranked in the top five destinations of where UHNWIs plan

FIGURE 1
UHNWI Global Mobility

Top 5 countries those considering emigration are likely to move to



Source: Knight Frank Research, The Wealth Report Attitudes Survey 2018

to buy prime property in 2018 continuing to be sought after for its lifestyle destination.

UHNWIs from Malaysia, Singapore, China, Hong Kong and the Philippines scored high on the Attitudes Survey for those planning to buy an Australian residential property in 2018.

In Australia, the number of ultra-wealthy people grew by 9% in 2017 to stand at

TABLE 1
Australian Wealth Population Distribution
Number of individuals

	2016	2017	Annual Growth
Multi-millionaires (US\$5m+)	36,040	39,280	9%
Ultra-wealthy (US\$50m+)	1,160	1,260	9%
Demi-billionaires (US\$500m+)	50	50	0%

Source: Knight Frank Research, The Wealth Report 2018, Wealth-X



MICHELLE CIESIELSKI
Knight Frank Residential Research

TABLE 2

Net Inflows of HNWIs in 2017

Number of individuals (inflow into country less outflow), figures rounded to nearest 1,000

Global Rank	Country	Net Inflow HNWIs
1	Australia	10,000
2	United States	9,000
3	Canada	5,000
4	United Arab	5,000
5	Caribbean*	3,000
6	Israel	2,000
7	Switzerland	2,000
8	New Zealand	1,000
9	Singapore	1,000

*Caribbean includes Bermuda, Cayman Islands, Virgin Islands, St Barts, Antigua, St Kitts & Nevis etc.

Source: Knight Frank Research, New World Wealth

1,260 people with a combined worth of US\$269 billion. There are now 5.2 ultra-wealthy individuals per 100,000 of the Australian population.

According to the Attitudes Survey, 88% of Australian UHNWIs believed their wealth increased in 2017 and 62% believed their wealth was likely to continue to rise in 2018.

With significant gains in property prices, and a stronger stock market, despite recent instabilities, the number of Australian multi-millionaires (those with net assets of US\$5 million or more) also rose by 9% (to 39,280) in 2017 according to Wealth-X.

The demi-billionaire population in Australia, those with net assets of US\$500 million or more, remained stable in 2017, at 50, despite globally this group climbing by 11%. Demi-billionaires are projected to grow by 40% in Australia over the next five years.

As reported by New World Wealth, Australia saw net inflow of 10,000 high-net-worth individuals (HNWIs) in 2017. This is someone with net worth of US\$1 million, excluding their primary residence. Australia remains the top country ranked by HNWI net inflow for the third consecutive year.

HNWIs are streaming from China, India and the United Kingdom—with more than 1,000 net inflows of HNWIs recorded in Sydney, Melbourne and the Gold Coast. Other popular cities included the Sunshine Coast, Perth and Brisbane.

Prime Property

Ten years after the beginning of the global financial crisis, the shift from financial assets to tangible assets (such as cars, art and wine) is continuing. Prime property is very much a part of this story.

Knight Frank considers prime property to be the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

Residential property in Australia offers transparency in ownership and a safe-haven investment in freehold property. There is also the value proposition in

FIGURE 2

Relative Prime Values Q1 2018

The amount of internal square metres one could buy with US\$1m around the world. All data as at 31 Mar 2018 incl. exchange rate



*New York and Los Angeles based on new developments.

Source: Knight Frank Research, Douglas Elliman, Ken Corporation

PROFILE

AUSTRALIAN ULTRA-HIGH-NET-WORTH INDIVIDUALS:

In 2017, **88% of UHNWIs reported their wealth increased**. This was aided by the strengthen global economy and the performance of both property and non-property investments.

Overall **62% believe wealth creation will continue in 2018**. Many UHNWIs are relying on stronger local economic conditions and the further performance of property assets.

On average, **UHNWIs own 2.3 residential homes**. By the end of 2018, **13% are likely to have purchased another second, or third, home** in Australia. While 11% are planning another purchase outside Australia. The United States, United Kingdom and/or New Zealand are the first three countries being considered.

Globally in 2017, Australian UHNWIs recorded the greatest swing (62%) towards **exposure to alternative investments**, such as Art, Wine and Cars.

Philanthropy was prevalent again last year with a focus on the Arts, Health/Disease Control and Education. 73% believe their activities will grow in 2018.

Just over **40% of Australian UHNWIs collect investments of passion**. They rank capital appreciation and joy of ownership as equal factors when considering purchasing for their collection.

Source: Knight Frank Research
The Wealth Report Attitudes Survey 2018

THE GROWTH IN LUXURY CAR OWNERSHIP

TOTAL 5YR GROWTH 2012-2017:

RANGE ROVER
154.9%

AUDI
87.3%

VOLKSWAGEN
74.7%

PORSCHE
57.3%

LEXUS
45.1%

MERCEDES BENZ
42.9%

BMW
32.4%

LAND ROVER
17.3%

JAGUAR
12.0%

ECONOMY BRANDS
7.0%

ALFA ROMEO
7.0%

VOLVO
6.9%

Economy brands represent the remaining 19 vehicles in the 'Top 30 Makes' in the ABS Motor Vehicle Census survey (excl. the 'Other' category).

Source: Knight Frank Research, ABS Motor Vehicle Census

Australia of the amount of internal square metres one could buy with US\$1 million when compared around the world (figure 2).

In Q1 2018, Monaco (15 sqm), Hong Kong (22 sqm), New York (25 sqm) and London (27 sqm) continue to be at the pointy end of the pagoda chart.

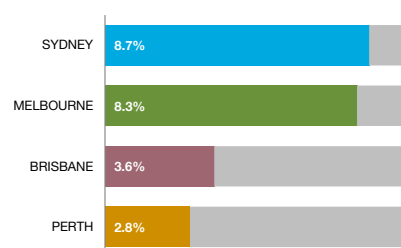
Despite recently recording significant capital growth in Sydney, 49 sqm could still be purchased within a Sydney luxury home. Similarly in the Melbourne prime market, 91 sqm could be purchased with US\$1 million.

In Brisbane and Perth, this measure extends further to cover 117 sqm and 126 sqm luxury floor area, respectively.

The Australian prime residential market has, and continues to travel at a different pace to the mainstream housing market with quite diverse key drivers across the country. The base of prime property demand follows wealth trends, rather than the dependence on growth in income for mainstream residential markets.

Over the past ten years prime markets have performed well, but with a more gradual capital growth than experienced in the mainstream markets. Not growing as far in the first place, there is still solid growth being recorded in the prime residential markets at a time when mainstream is cooling, as seen in Sydney and Melbourne.

FIGURE 3
Prime Property Performance Q1 2018
Annual capital growth

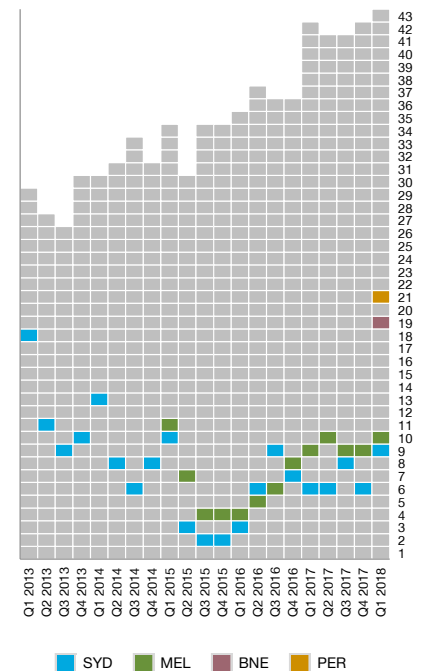


Source: Knight Frank Research

FIGURE 4

Australian Cities Global Ranking of Prime Property Performance

Position ranking based on annual capital growth within the quarterly Knight Frank Prime Global Cities Index



On the y-axis, number 1 represents cities ranking in first place globally, while position 43 represents last place. The total number of cities in the index has increased since Q1 2013 to represent 43 global cities in Q1 2018.

Source: Knight Frank Research, Douglas Elliman, Ken Corporation

Sydney prime prices rose 8.7% between Q1 2017 and Q1 2018, while Melbourne grew 8.3%, rising from a lower value base.

Both cities continue to track the strongest in Australia, outpacing Brisbane (3.6%) and Perth (2.8%). In saying this, Perth is performing exceptionally well for a second consecutive quarter in annual positive growth territory (figure 3).

The Knight Frank Prime Global Cities Index Q1 2018 overall increased by 4.8% in the year to March 2018, marginally lower than the annual 4.9% in December 2017. Tracking the prime residential performance of the major Australian capital cities against key global cities, the

prime market performance has been plotted quarterly, against other global cities.

In Q1 2018, Sydney was ranked the 9th best performer globally, while Melbourne placed 10th. The Brisbane and Perth markets made their global debut at 19th and 21st place, respectively, out of 43 global cities (figure 4).

In fact, Sydney has not fallen outside a top ten ranking of Prime Global Cities for the past 16 consecutive quarters—for Melbourne, this has been 12 consecutive quarters.

It was also found in the Attitudes Survey that in Australia, on average, UHNWIs own 2.3 residential homes. By the end of 2018, 13% are likely to have purchased another second, or third, home in Australia.

This is important to note as it excludes those residential properties transacting for investment purposes, so only those being purchased with the intention as second and third homes.

This creates limited listings at the top end of the market and has continued to

TABLE 3

Australian Wealth Population Projection Distribution

Number of individuals

	2017	2022	Five Year Projected Growth
Multi-millionaires (US\$5m+)	39,280	53,570	36%
Ultra-wealthy (US\$50m+)	1,260	1,720	37%
Demi-billionaires (US\$500m+)	50	70	40%

Source: Knight Frank Research, The Wealth Report 2018, Wealth-X

underpin many Australian prime suburb prices being upheld.

Outlook

Prime values continue to be strong at a time when, despite the global economy strengthening, there are risks building in the form of rising debt, interest rates and inflation. In uncertain times, HNWIs continue to seek security.

When asked in the Attitudes Survey what was concerning Australian UHNWIs as a barrier to wealth creation in the coming years, Terrorism topped the list. Other issues included Cybercrime, the North

Korea crisis and the rise of political populism around the world (figure 5).

Prime markets often have a significant international bias in terms of buyer profile. Offshore interest in Australian prime residential property has remained relatively stable in 2017 after strong interest for the past four years. Recent foreign investor taxes introduced have encouraged more due diligence to be undertaken before transactions are made. But there is still, ever-growing demand from the global ultra-wealthy population to move their money into 'safe -havens' around the world.

Despite headwinds on the wider horizon, with a relatively healthy global and local economy, we're likely to see further wealth creation in 2018.

The UHNW population is projected to grow by a further 37% over the next five years. Wealth-X's methodology for calculating population projection looks into GDP growth, the performance of stock markets and other investments, as well as, wealth distribution trends.

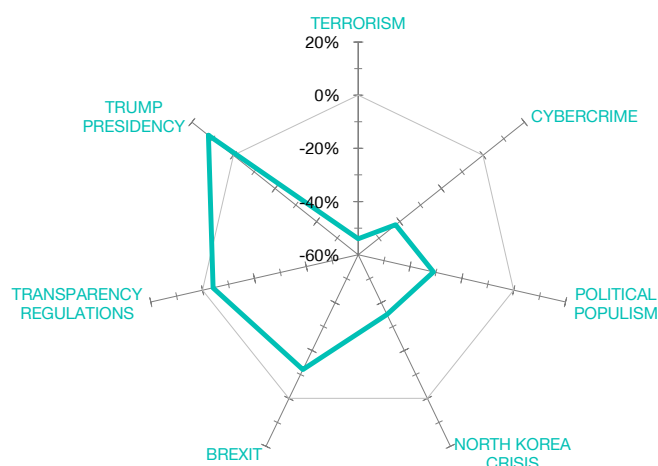
Currency also plays a significant role. The wealth data is shown in US dollars, and, as a result, the movement of local currency against the US dollar also has an impact. The Australian dollar has depreciated recently and this could continue further as the US raises interest rates. This will, in turn, encourage more inward capital flows into Australian prime residential markets.

Over the next five years, demi-billionaires are projected to grow by 40%, and multi-millionaires by 36%, to represent 53,570 with net wealth over US\$5 million.

FIGURE 5

Issues impacting Australian UHNWIs to create and preserve future wealth

Net balance of opinion (positive-negative), the lower the % the bigger the treat



Source: Knight Frank Research, The Wealth Report Attitudes Survey 2018

SYDNEY

Sydney ranked **11th in the Knight Frank City Wealth Index 2018** (out of 314 cities).

Sydney **prime property annual growth was 8.7%** in the year ending March 2018; globally ranking 9th best performing city.

The **number of sales** (\$3m+) totalled 1,809 in 2017, this was 7.6% higher than in 2016.

Sydney **new prime (luxury) apartment prices** range from \$40,000 to \$100,000/sqm (indicative of \$55,000/sqm) in Q1 2018.

Wealth Trends

The total wealth of Sydney HNWIs is one of the rapidly advancing cities globally. According to New World Wealth, Sydney outstripped the benchmark of 1,000 net inflow of HNWIs in 2017; taking up a significant portion of the Australian 10,000 new HNWIs each year.

In the Knight Frank City Wealth Index 2018, Sydney ranked 17th of the cities that matter to the ultra-wealthy. Across the four categories, Sydney performed best in the 'investment' category (7th) based on the annual average private investment into property over the two-year period of 2016 and 2017.

The 'lifestyle' category also scored well (at 14th), taking in the elements of cities with the most top 100 universities, number of five-star hotels and the highest average spend—where Sydney was recorded in the top 3 with US\$1,829 per overnight visitor.

In the 'future' category, Sydney ranked 17th for the future economic performance (GDP) measured in constant prices.

Sydney came in equal 20th, with Atlanta, in the final category 'wealth', based on the number of households earning more than US\$250,000 in 2017. The other important factor—the likelihood of the city's growth in this price bracket by 2022.

TABLE 4

Knight Frank City Wealth Index 2018, Sydney

314 international cities ranked in each category

	Ranking
Wealth	=20
Investment	7
Lifestyle	14
Future	17
OVERALL	11

Source: Knight Frank Research

Prime Property

Indexing the performance of the prime residential market back to March 2008, and the start of the GFC, Sydney has seen total capital growth of 61.7%. With 8.7% of this growth being in the year ending March 2018 (figure 6).

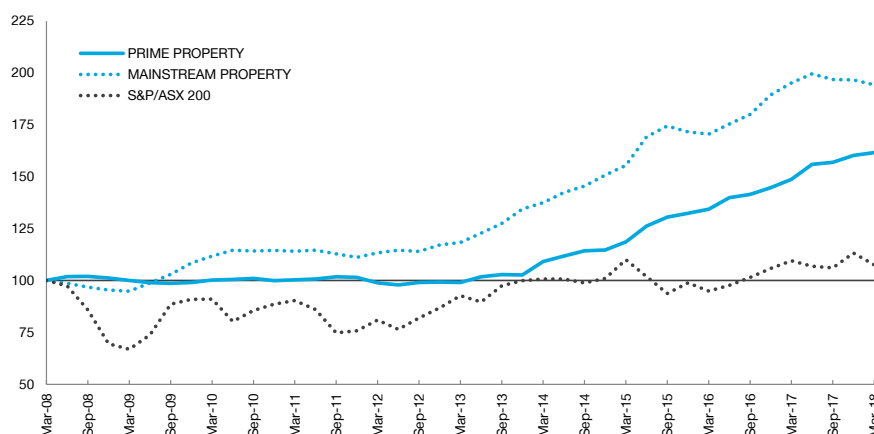
The prime residential market in Australia's financial hub took the longest to recover the first five years post-GFC. Effectively all total growth was gained post March 2013, around the same time, Sydney had stepped up onto the global platform.

From this time, a lack of exceptional stock has plagued the top end of the market, lifting prices as demand continued to increase.

FIGURE 6

Sydney Prime Residential Performance, Capital Values

Indexed, 100 = Mar 2008



Source: Knight Frank Research, ABS, S&P Dow Jones Indices

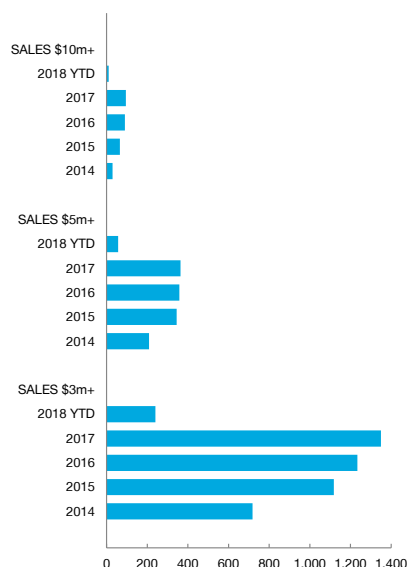
As a result, the total number of Sydney prime residential sales (\$3m+) have increased each year since 2014; across all three prime price bands. In 2017 the increase in the number of prime sales was 7.6%. The \$3-\$4.99m price band saw the largest increase in the number of sales sold between 2016 and 2017 (at 9.4%), followed those in the highest band (\$10m+) with an increase of 5.6%.

The first three months of 2018 has seen 17% of the total prime sales sold in 2017, so given a time lag in settled sales, the total numbers are tracking reasonably well, given the slower pace of the mainstream market (figure 7).

FIGURE 7

Sydney Prime Residential Sales

Total no. established sales, as at 31 Mar 2018



Note: 'Sales \$3m+' includes sales up to \$4,999,999 and 'Sales \$5m+' includes sales up to \$9,999,999. Raw sales exported from CoreLogic have been refined to remove any irregularities.

Source: Knight Frank Research, CoreLogic

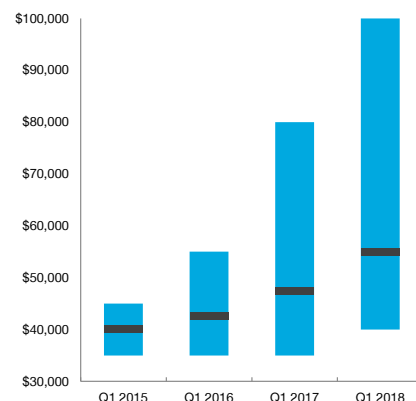
Shifting focus to new prime apartments in Sydney, the range of average sales rates have expanded significantly since 2015. In fact, the indicative rate achieved (\$55,000/sqm) in the first quarter of 2018, is well-beyond Sydney's upper-end recorded four years ago.

In Q1 2018, new prime apartments averaged from \$40,000/sqm to \$100,000/sqm (figure 8). When comparing prime sales rates against the mainstream market it must be

FIGURE 8

Sydney New Prime Apartment Average Sales Rates

Rate/sqm range for prime (luxury) internal floor area and indicative rate



Source: Knight Frank Research

acknowledged that given the nature of prime residential property, the internal floor area will be significantly larger than a mainstream property. There will also be outlier sales for trophy assets; beyond the upper end of this range.

Outlook

Our Attitudes Survey disclosed that 13% of Australian UHNWIs are likely to have purchased another second, or third, home locally by the end of 2018; not for income producing purposes. This will further result in these buyers not releasing a property to market before buying another, limiting new listings at the top end and more Sydney off-market transactions will continue to take place until more prime stock is built.

The recent hiatus in foreign demand is likely to be brief, but thus far local buyers made up this deficit.

As demand for truly exceptional properties in sought after positions continue; there are pockets of the prestige market where strong growth has eased to a more moderate pace.

As a result, the Sydney prime property market is not likely to reach double-digit growth over the coming years, rather a forecast towards a more sustainable 5% annual growth by the end of the year.

SYDNEY HOUSES TOP 10 PERFORMING PRIME SUBURBS Q1 2018

TOTAL 5YR CAPITAL GROWTH & CURRENT MEDIAN VALUE:

LONGUEVILLE
117.7%
\$4.6m

MANLY
108.6%
\$3.3m

ROSE BAY
108.4%
\$3.9m

CLOVELLY
103.2%
\$3.2m

BELLEVUE HILL
91.8%
\$5.6m

WOOLLAHRA
79.4%
\$3.2m

BRONTE
77.7%
\$3.8m

MOSMAN
77.2%
\$3.5m

DOVER HEIGHTS
55.8%
\$3.9m

CLONTARF
51.7%
\$3.3m

Source: Knight Frank Research, APM

MELBOURNE

Melbourne ranked **20th in the Knight Frank City Wealth Index 2018** (out of 314 cities).

Melbourne **prime property annual growth was 8.3%** in the year ending March 2018; globally ranking 10th best performing city.

The **number of sales** (\$3m+) totalled 871 in 2017, this was 10.9% lower than in 2016.

Melbourne **new prime (luxury) apartment prices** range from \$16,000 to \$21,000/sqm (indicative of \$16,500/sqm) in Q1 2018.

Wealth Trends

Melbourne is earmarked as one of the fastest growing cities for growth in the total wealth of it's HNW population. New World Wealth reports that Melbourne well -exceeded 1,000 net inflow of HNWIs in 2017; taking up a large portion of the annual new 10,000 Australian HNWIs.

For the cities that matter to the ultra-wealthy, Melbourne ranked equal 20th place with Madrid on the Knight Frank City Wealth Index 2018.

Melbourne performed best in the 'investment' category being equal 15th place with Singapore and Houston. All have been ranked by the combination of the average number of nationalities investing in 2016 and 2017, plus the average private investment into property over the same time.

Breaking down elements in the 'lifestyle' category, where Melbourne ranked 25th globally, the city scored the global top spot for the highest average spend per overnight visitor at US\$1,925. Other elements considered for lifestyle included cities with the most universities in the top 100 and the number of five-star hotels.

The 'future' prospects for Melbourne when based on GDP performance, saw the city in 26th place for this category. Taking into account the future growth in the number of households earning

TABLE 5

Knight Frank City Wealth Index 2018, Melbourne

314 international cities ranked in each category

	Ranking
Wealth	44
Investment	=15
Lifestyle	25
Future	26
OVERALL	=20

Source: Knight Frank Research

US\$250,000, the 'wealth' category saw Melbourne in 44th position.

Prime Property

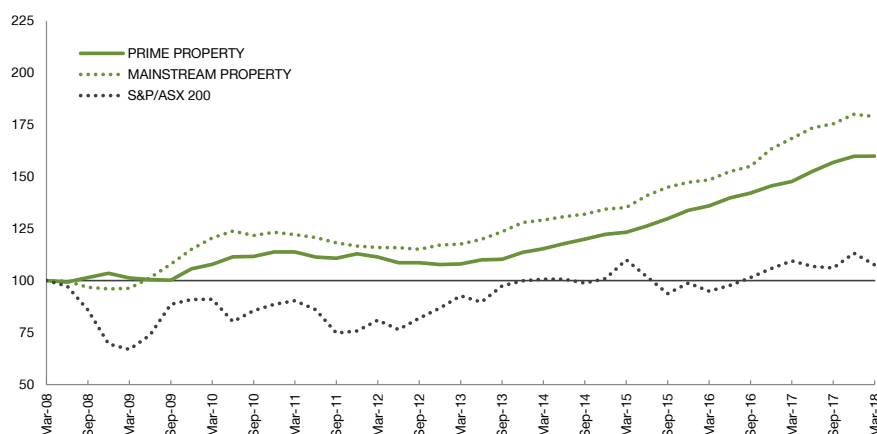
Over the ten years ending Q1 2018, Melbourne prime capital values grew by 60% with 8.3% of this annual growth occurring in Q1 2017 (figure 9). Since March 2008, Melbourne's prime residential market only marginally trailed Sydney's (61.7%) total capital growth. A notable difference over this time was Melbourne grew more steadily, and in the first five years post-GFC, was the strongest performer of the four major capital cities; achieving 8% total growth in this time.

Following a significant number of

FIGURE 9

Melbourne Prime Residential Performance, Capital Values

Indexed, 100 = Mar 2008



Source: Knight Frank Research, ABS, S&P Dow Jones Indices

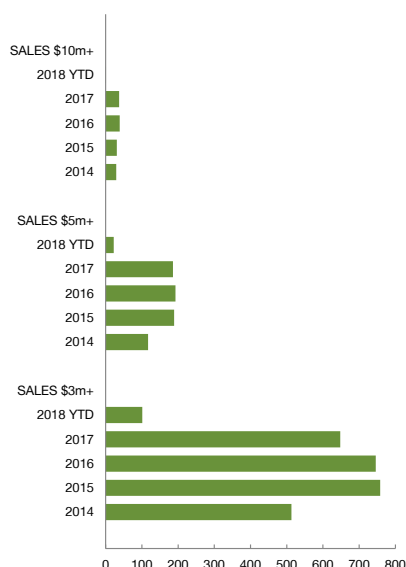
Melbourne prime residential sales (\$3m+) recorded in 2015 and 2016 (both years recording 978 sales), 2017 saw a decline in prime sales of 10.9%. In 2017, the \$5-\$9.99m price band saw the most stable in total numbers recorded since 2015.

Q1 2018 has seen 14% of the total prime transactions sold in 2017. At this current

FIGURE 10

Melbourne Prime Residential Sales

Total no. established sales, as at 31 Mar 2018



Note: 'Sales \$3m+' includes sales up to \$4,999,999 and 'Sales \$5m+' includes sales up to \$9,999,999. Raw sales exported from CoreLogic have been refined to remove any irregularities.

Source: Knight Frank Research, CoreLogic

rate of turnover, taking into consideration the lag in the standard reporting of settled sales the yearly total will be high, but not surpass the 2017 tally (figure 10).

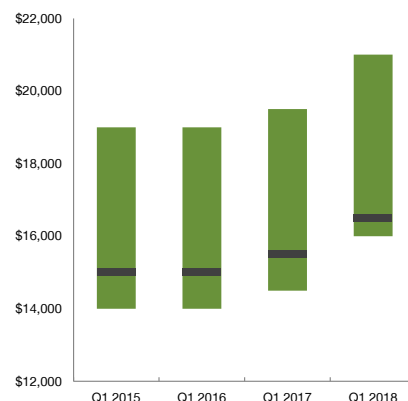
Since late 2016 new prime apartments in Melbourne have recorded accelerated average sales rates. This has been reflected with prime projects coming to market and setting new benchmarks as this prime market matures.

As with any prime residential markets around the world, apartments tend to be larger in size and sales rates adopt accordingly. In Q1 2018, new prime apartments ranged from \$16,000/sqm at the average entry point to a prime apartment to the upper end range at \$21,000/sqm (figure 11).

FIGURE 11

Melbourne New Prime Apartment Average Sales Rates

Rate/sqm range for prime (luxury) internal floor area and indicative rate



Source: Knight Frank Research

With only a handful of superb prime projects in the pipeline, the Melbourne indicative rate of \$16,500/sqm likely to be challenged north over the coming years, and most certainly an extension of the upper end.

Outlook

The Melbourne prime market has matured remarkably over the past few years. Price growth has seen Melbourne not fall outside a top ten ranking for the past 12 consecutive quarters—with 42% of these top ten rankings recorded double-digit growth.

There have been many penthouses and sub-penthouses being built within apartment projects in Melbourne. Although there is further opportunity with buyers now having appetite to be within a well-located, remarkable luxury tower with amenity mirroring the world-class hospitality experience enjoyed when travelling abroad; including security and privacy. This type of product will become more demanded by the ever-growing Melbourne ultra-wealthy population.

While the total number of established prime sales have retreated to a more traditional volume and pace for a prime market, its likely a more sustainable annual capital growth will be recorded, close to 3-5% by the end of 2018.

MELBOURNE HOUSES TOP 10 PERFORMING PRIME SUBURBS Q1 2018

TOTAL 5YR CAPITAL GROWTH & CURRENT MEDIAN VALUE:

HAWTHORN EAST
129.4%
\$2.3m

ST KILDA WEST
124.1%
\$2.5m

HAWTHORN
116.3%
\$2.3m

SURREY HILLS
98.2%
\$2.0m

EAST MELBOURNE
95.3%
\$3.3m

MIDDLE PARK
91.5%
\$2.6m

MALVERN
87.9%
\$2.7m

BALWYN
79.9%
\$2.3m

CANTERBURY
78.1%
\$2.9m

TOORAK
77.7%
\$4.3m

Source: Knight Frank Research, APM

PERTH

Perth ranked **53rd** in the **Knight Frank City Wealth Index 2018** (out of 314 cities).

Perth **prime property annual growth was 2.8%** in the year ending March 2018; globally ranking 21st best performing city.

The **number of sales** (\$3m+) totalled 371 in 2017, this was 29.3% higher than in 2016.

Perth **new prime (luxury) apartment prices** range from \$12,000 to \$20,000/sqm (indicative of \$14,000/sqm) in Q1 2018.

Wealth Trends

Perth saw a net inflow of up to 1,000 HNWLs in 2017; taking up to one-tenth of the 10,000 new Australian HNWLs each year, according to data released on the Australian market by New World Wealth.

Perth ranked in the top quintile of the cities that matter to the ultra-wealthy in the Knight Frank City Wealth Index 2018, ranking in 53rd spot.

The best performing category for Perth was 'Future' (56th place), ranking higher than Brisbane (57th), based on the forecast of economic performance. Perth (63rd) was also 13 places higher than Brisbane for 'wealth'. The two elements that contributed to this category include the number of households earning US\$250,000 in 2017, and the other being how fast this price bracket is expected to grow over the next five years.

'Investment' was the third category with double-digit ranking for Perth, at 88th place. This was based on the annual average private investment into property over the two-year period to the end of 2017 and the average number of nationalities investing.

The 'lifestyle' category was lower than expected, ranking in 142 position. Elements scored include cities with the most top 100 universities, the number of five-star hotels and the highest average

TABLE 6

Knight Frank City Wealth Index 2018, Perth

314 international cities ranked in each category

	Ranking
Wealth	63
Investment	88
Lifestyle	142
Future	56
OVERALL	53

Source: Knight Frank Research

spend per overnight visitor. With strong future prospects, and several hotels due by 2020 (now under construction), will certainly boost tourism opportunities for the city and Perth's global ranking in the coming years.

Prime Property

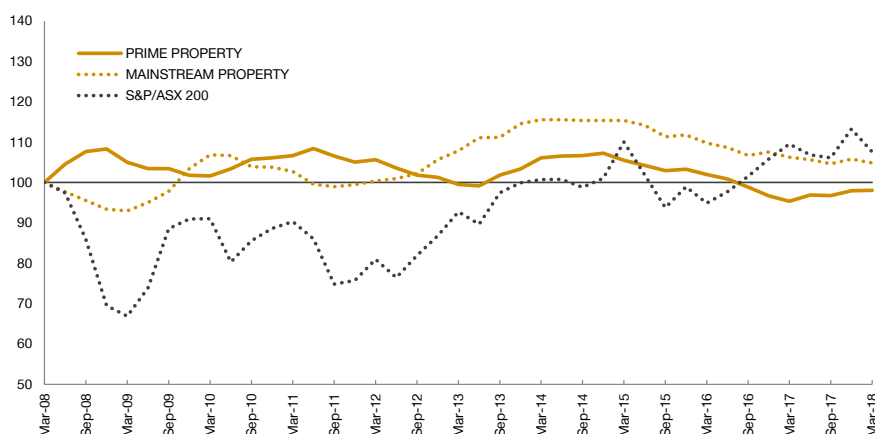
The resources sector in Western Australia was thriving in March 2008, and accordingly, so was the prime residential market. In the five years post-GFC, Perth bypassed falling into negative growth as was witnessed on the Australian East Coast. Although by the end of this five year period, the resources sector had started to cool.

Between Q1 2017 and Q1 2018, the prime residential market in Perth saw

FIGURE 12

Perth Prime Residential Performance, Capital Values

Indexed, 100 = Mar 2008



Source: Knight Frank Research, ABS, S&P Dow Jones Indices

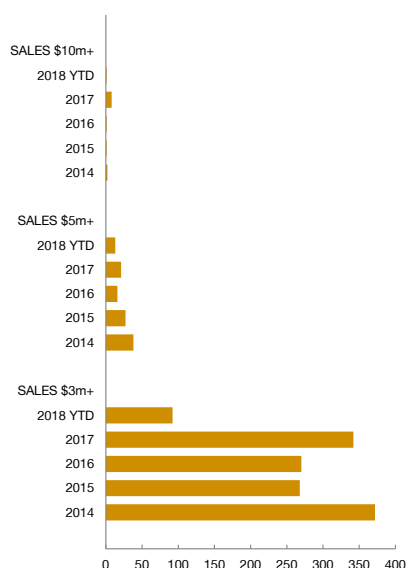
grow of 2.8% - recovering to outperform the growth of the mainstream market (figure 12).

The **Prime Global Cities Index Q1 2018** identified Perth of one of ten global cities with the highest increase in price growth with the difference between annual change in Q1 2017 and Q1 2018 being 9.3%. Perth ranked fourth highest following Cape Town (11.6%), Zurich (11.4%) and Geneva (11.3%).

It was an exceptional year for prime residential sales in 2017. A total of 371 prime sales (\$3m+) were recorded in Perth, rising 29.3% on the previous year (figure 13). Breaking down the three price bands, the \$5m-\$9.99m saw the largest spike in sales between 2016 and 2017 (31.3%) with a total of 21 sales. The \$3m-\$4.99m price band saw the highest number of sales with 342; up 26.7%.

The total number of prime sales transacted in Q1 2018 was 29% of the total achieved in 2017, a strong result given not all settled sales would yet be included in this period. At this pace, it's likely the 2018 prime sales total will overtake the total number from last year.

FIGURE 13
Perth Prime Residential Sales
Total no. established sales, as at 31 Mar 2018

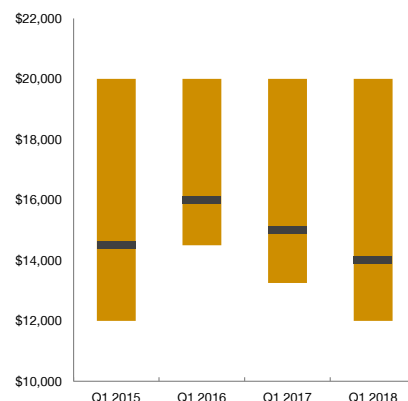


Note: 'Sales \$3m+' includes sales up to \$4,999,999 and 'Sales \$5m+' includes sales up to \$9,999,999. Raw sales exported from CoreLogic have been refined to remove any irregularities.

Source: Knight Frank Research, CoreLogic

FIGURE 14
Perth New Prime Apartment Average Sales Rates

Rate/sqm range for prime (luxury) internal floor area and indicative rate



Source: Knight Frank Research

The sales rates of new prime apartments in Perth, have reflected the wider established prime market over recent years, peaking in late 2014.

Over the coming year, the Perth prime market is expected improve from the Q1 2018 indicative rate of \$14,000/sqm—to potentially push higher than the upper average range (\$20,000/sqm) and tighten the lower end up from \$12,000/sqm (figure 14).

Outlook

Over the last year the Perth residential market saw local buyers upsizing to take advantage of green shoots appearing in the prestige market and strong total sales reflected this trend.

Given the strong number of prime sales transacting in each price band, its very likely price growth will continue to follow—with annual growth of 3-5% by year's end.

There are more prestige apartments currently being built within Perth projects than seen in recent times, but with strong growth in the number of the ultra-wealthy population and increasing business confidence on the West Coast, there will be further demand returning for outstanding residential properties.

PERTH HOUSES TOP 10 PERFORMING PRIME SUBURBS Q1 2018

TOTAL 5YR CAPITAL GROWTH & CURRENT MEDIAN VALUE:

PEPPERMINT GROVE
14.5%
\$3.1m

COTTESLOE
12.1%
\$2.0m

NEDLANDS
12.0%
\$1.6m

SALTER POINT
11.8%
\$1.3m

SWANBOURNE
11.6%
\$1.5m

DALKEITH
11.1%
\$2.6m

FLOREAT
9.0%
\$1.3m

MOSMAN PARK
6.0%
\$1.2m

CITY BEACH
5.0%
\$1.7m

MOUNT CLAREMONT
5.0%
\$1.3m

Source: Knight Frank Research, APM



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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.

Ultra-high-net-worth individual (UHNWI) is someone with a net worth of over US\$30 million excluding their primary residence.

High-net-worth individual (HNWI) is someone with a net worth of over US\$1 million excluding their primary residence.

Multi-millionaire is someone with net assets of US\$5 million or more.

Ultra-wealthy is someone with net assets of US\$50 million or more.

Demi-billionaire is someone with net assets of US\$500 million or more.

The Wealth Report Attitudes Survey 2018 looks at the most important factors for ultra-high-net-worth individuals, canvassing the responses of over 500 of the world's leading private bankers and wealth advisors who between them represent around 50,000 clients with a combined wealth of more than US\$3 trillion.

City Wealth Index 2018 was published for the Top 20 cities, however this list extends to 314 cities as referred to in this report.

New World Wealth material sourced was from *The AfrAsia Bank Global Wealth Migration Review 2018* downloaded from <http://www.newworldwealth.com/reports.html>

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

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