



*Wealth trends,
expatriates &
currency play*



*Prime residential
property*



*Outlook for
2020 & 2021*



Australian Prime Residential Review

2020

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AUSTRALIAN PRIME RESIDENTIAL

The momentary withdrawal of prestige listings throughout the COVID-19 pandemic has minimised what was already a shallow pool to choose from across Australia, with increased sales transactions being made off-market, and so far, with little discount.

Wealth trends

The number of Australian high-net-worth individuals (HNWIs) grew by 7% in 2019, to stand at 1.5 million people with wealth of US\$1 million or more. Largely driven by well-performing property and stock market portfolios, Australian HNWIs have increased by 42% over the past five years.

Those in Australia with wealth of more than US\$30 million— ultra-high-net-worth individuals (UHNWIs) — rose by 5% in 2019, with 35% more UHNWIs since 2014. On average, 80% of Australian UHNWIs saw an increase in their total wealth in 2019, with 63% stating this would likely further increase in 2020. This Attitudes Survey was undertaken between October & November 2019 for [The Wealth Report 2020](#), prior to the global uncertainty rolling out with the COVID-19

pandemic. At this time, Australia was the third most preferred country for a global UHNWI to purchase their next residential property.

Since then, Australia's rapid response to closing its borders, social distancing measures and the high portion of COVID-19 testing has been admired around the world—in addition to the country's unrivalled lifestyle, extensive [waterfront](#) and [parklands](#) dotted throughout the major cities. As the world comes out of lockdown in these unprecedented times, many HNWIs are strategically considering these attributes for their next move.

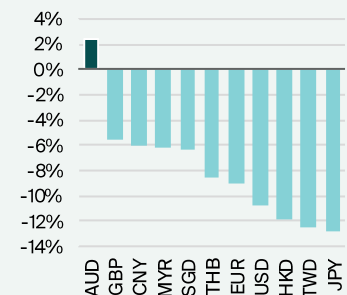
Expatriates & the currency play

Knight Frank's global network has seen an uptick in enquiries by expats since the start of COVID-19. When [surveyed in late May 2020](#), 64% of global expats

said the lockdown had influenced their decision to buy property in their home country with 29% being a permanent move, 57% a home which one day may become their primary residence and 14% being a second home. Expats looking to buy a residential property

Impact of currency play

% annual prime capital growth, Major Australian cities, as at 31 March 2020



Source: Knight Frank Research, RBA

WEALTH DISTRIBUTION		2014	2018	2019	2024	% CHANGE 2014-2019	% CHANGE 2018-2019	% CHANGE 2019-2024
HNWIs (US\$1m+)	AUSTRALIA	1,087,620	1,440,070	1,546,203	2,068,583	42%	7%	34%
	WORLD	39,404,042	46,903,189	49,951,390	63,850,414	27%	6%	28%
UHNWIs (US\$30m+)	AUSTRALIA	2,820	3,610	3,796	4,881	35%	5%	29%
	WORLD	396,368	482,176	513,244	649,331	29%	6%	27%
BILLIONAIRES (US\$1b+)	AUSTRALIA	31	40	37	41	19%	-6%	11%
	WORLD	1,797	2,351	2,335	2,616	30%	-1%	12%

Source: Knight Frank Research

back in Australia were mostly based in China, Hong Kong, Singapore, US and the UK. Although globally, the currency play ranked low as the motive to buy, the Australian dollar continued to be favourable against other major currencies at the end of March 2020. Discounts ranged from 5% for the Pound Sterling, 6% for the Renminbi, Malaysian ringgit and Singapore dollars, to discounts of 11% for US dollars, 12% for Hong Kong dollars and 13% for New Taiwanese dollars.

Prime property performance

Although prime property prices have moderated to more sustainable growth

rates over the past year, Australia's five major cities continued to record positive annual capital growth in the first quarter of 2020.

Sydney prime property recorded the highest annual growth in Australia, with 4.7%, ranking 8th from 46 global cities in the Prime Global Cities Index. Melbourne ranked 17th (with 3.0%), Gold Coast 26th (1.7%), Brisbane 27th (1.4%) and Perth 29th (1.0%).

Prime property is considered to be the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

Relative value of prime property

Prime property markets often have a significant international bias in terms of buyer profile. The value proposition remains in place for Australian cities when comparing how much US\$1 million buys around the world.

In Sydney, US\$1 million bought you 57 sq m of luxury internal floor space at the end of the first quarter of 2020. Close to double this space could be purchased in Melbourne with 109 sq m. Perth follows with 133 sq m, Brisbane 139 sq m and the Gold Coast 152 sq m.

Outlook

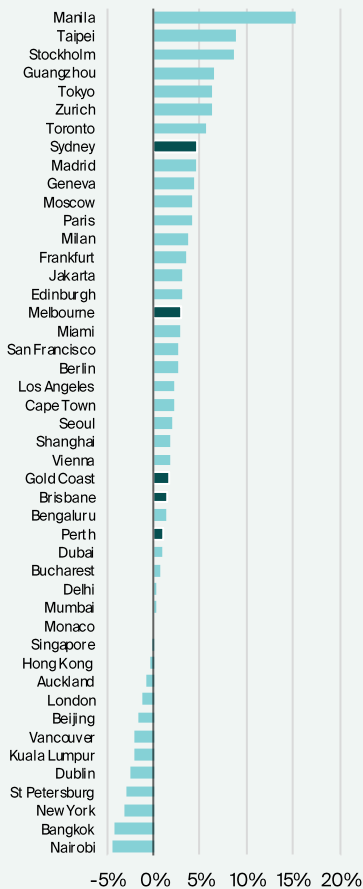
Prior to the COVID-19 impact, the Australian HNWI population was projected to grow by 34% and UHNWIs by 29% over the next five years. As Australia enters an unavoidable recession for the first time in 29 years, as a result of the pandemic, it's likely wealth creation will overall moderate for the remainder of 2020.

An economic recovery is forecast for Australia in 2021, the speed dependent on the outcome of several significant economic stimuli expected to be eased for the last quarter of 2020. In saying this, Australia is currently successfully containing the spread of COVID-19, allowing further restrictions to be relaxed on activities in accordance with the Australian Government's 3-step framework.

Following the economic movement, the prime residential forecast places Sydney, Melbourne, Brisbane, Perth and the Gold Coast to record flat or low price falls (0% to -4.9%) by the end of 2020. All five prime residential markets are forecast to improve by the end of 2021 with Sydney, Melbourne and the Gold Coast likely to be first to see low price growth (of 0.1% to 4.9%), while Brisbane and Perth remain stable.

Prime property price performance

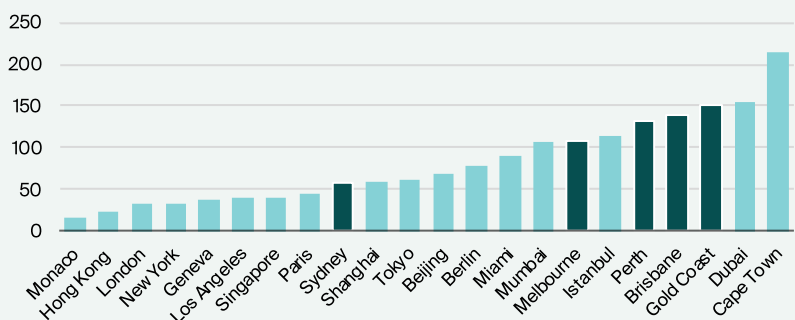
% annual capital growth, as at 31 March 2020



Source: Knight Frank Research, Douglas Elliman, Ken Corporation

How much prime property does US\$1m buy?

Luxury internal floor space (sq m), as at 31 March 2020

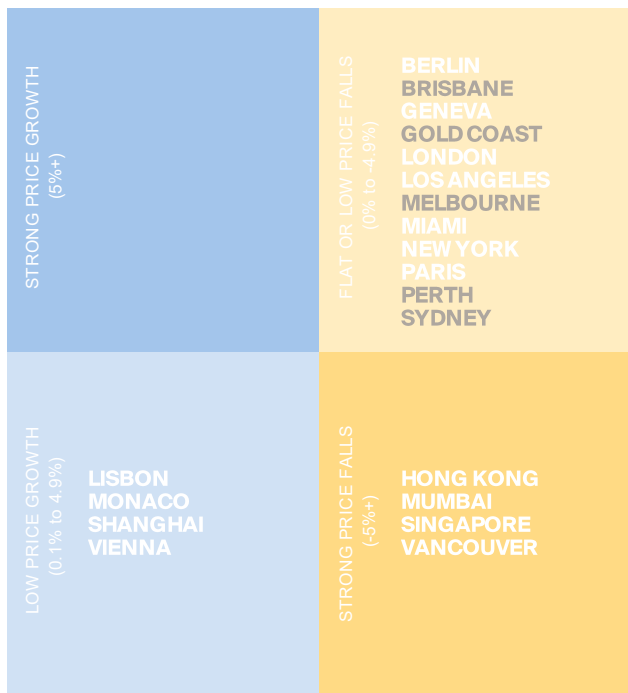


Source: Knight Frank Research, Douglas Elliman, Ken Corporation

OUTLOOK

2020 Prime Residential Forecast

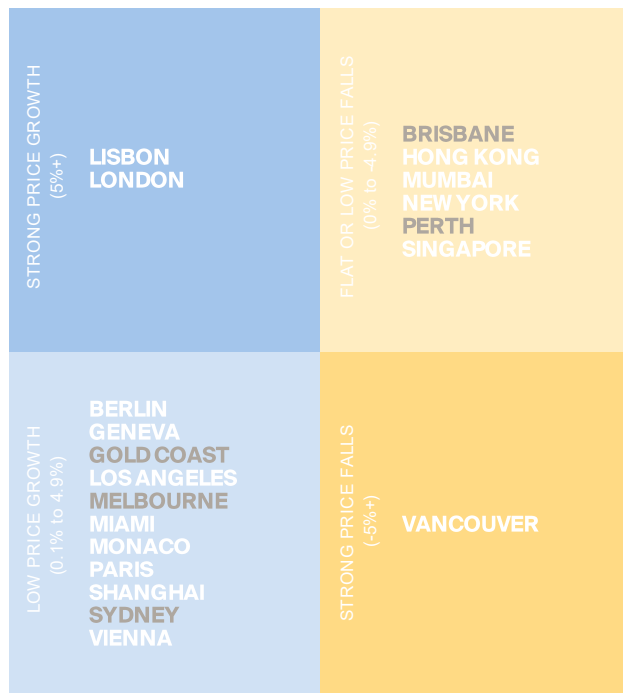
Annual % change



Source: Knight Frank Research

2021 Prime Residential Forecast

Annual % change



Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Residential

Shayne Harris
+61 2 9036 6713
shayne.harris@au.knightfrank.com



Valuations

Alistair Carpenter
+61 2 9036 6662
al.carpenter@au.knightfrank.com



Research

Michelle Ciesielski
+61 2 9036 6659
michelle.ciesielski@au.knightfrank.com



Private Office

Sarah Harding
+61 2 9036 6752
sarah.harding@au.knightfrank.com



Media Enquiries

Philippa Giles
+61 2 9036 6627
philippagiles@au.knightfrank.com

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