

*A review of prime luxury residential markets
across major Australian cities*



Australian Prime Residential Review

Q2 2022

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AUSTRALIAN RESIDENTIAL MARKET

How have the prime luxury residential markets performed across Australia's major cities?

Australia's prime residential market

The pandemic-induced residential boom continues to wind down with inflationary pressures fuelling higher cost of living and rising mortgage rates are starting to weigh on buyer sentiment around the world.

Although currently, as experienced throughout the pandemic, the range of properties to buy in the prime residential market remains tightly held and subsequently record high sales are being achieved in some suburbs.

Many have instead opted to rent while they renovate their current home, or a property they've purchased in a good location, but requires extensive renovation works to be done.

Given construction delays currently experienced across the industry, many are now also holding onto their rental property much longer than envisaged when they first signed the lease.

This quarter, Knight Frank released a new [Prime Global Rental Index](#), which tracks the movement in luxury residential rents across ten cities globally. Top tier global cities are seeing demand return and stock dwindle as workers, along with international students and corporate tenants return to the prime end of the market. This confirms the significant 11.9% average annual rise in global prime residential rents, the highest rate since 2010.

Sydney ranked 5th on the prime rental index, with 7.2% annual growth, and only recorded a 1.5% peak-to-trough decline during the pandemic.

Hosting a relatively small number of prestige residential rental properties on a global scale, Sydney's luxury rental homes tend to be distributed across the city and around the harbour. When in town for business, regular international corporate travellers tend

to lean on hotel and short-stay accommodation in the CBD.

So when the global pandemic limited activity within close proximity of the city, Sydney's overall prime rental market wasn't as impacted compared to cities like New York and London.

Across Australia, there are three main groups continuing to drive up prestige rents—those taking advantage of phenomenal sale prices by selling their home and using the low interest rate environment to further invest in their business ventures, those renovating an established home and our returning expatriates.

Prestige rentals saw an uptick in demand from returning expats at the start of the pandemic, and is an ongoing situation, where expats are withdrawing their residential properties from the rental pool once arriving back home.



Key Drivers

The Australian ultra-high-net-worth (UHNW) population grew by 10.1% in 2021, to 20,874 people with net wealth of more than US\$30 million.

Building on wealth created from capital preservation, capital appreciation and income generation, Australia’s UHNW population is forecast to grow by a further 30.9% over the next five years according to the Knight Frank [Wealth Sizing Model](#).

Reviewing key drivers most impacting wealth creation is timely given global and local headwinds on the horizon amplified by rising inflation.

The Reserve Bank of Australia expects

to take further steps in the process of normalising local monetary conditions over the months ahead. The official cash rate target was last increased 50 bps to 0.85% on 7 June 2022.

New private business investment grew by 3.6% in the year to March 2022, although down from 9.1% annual growth six months earlier, but higher than 0.4% growth one year earlier.

Results from the NAB monthly business survey reveal business conditions rose 9pts in March 2022 to +18 index points, continuing the steady rise from 4pts recorded in September 2021.

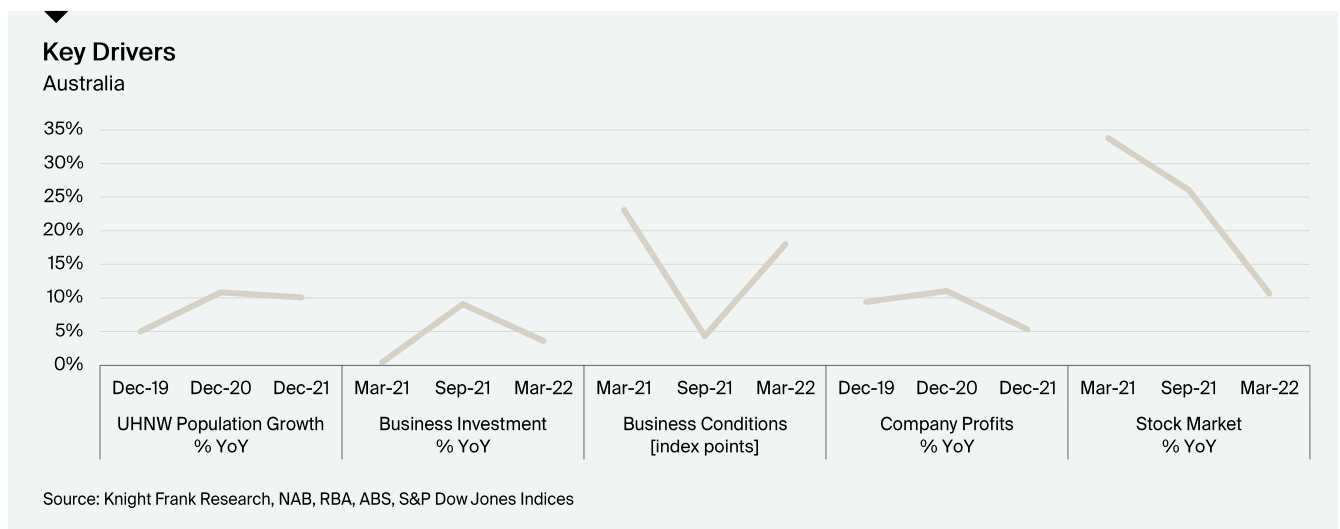
Across Australia, company profits rose

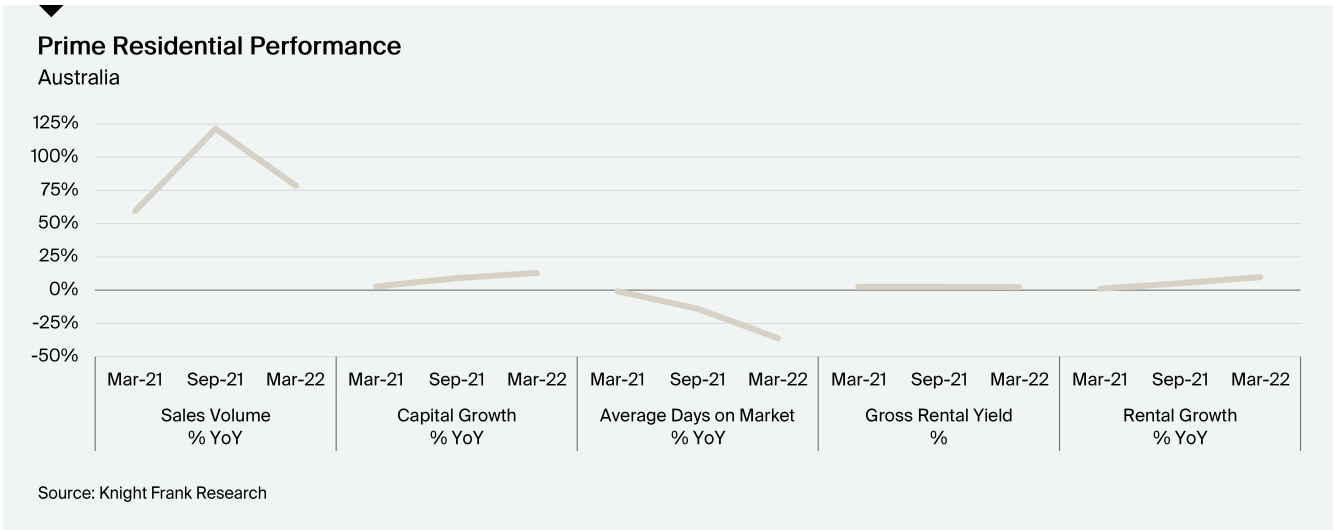
5.3% in 2021 after recording 11.0% in 2020.

Oxford Economics have forecast company profits to rise by 10.4% by the end of 2022, before falling by 3.7% in 2023 to recover with a 2.2% positive upswing in 2024.

Australia’s stock market performance on the S&P/ASX 200 eased in the first quarter of 2022 with gains of 0.9%, to calculate total annual growth at 10.7% in the year to March 2022.

Oxford Economics forecast after the average stock market gains of 17.5% in 2021, that the performance will fall to 2.6% by the end of 2022, before rising to 3.7% growth in 2023.





Performance and Outlook for Australian Prime Residential Market

The volume of prime sales across Australia trended down 30.4% in the March 2022 quarter to 1,669 residential homes (houses and apartments). The annual sales volume is 78.7% higher than a year ago with a total of 8,403 transactions. Over this time Brisbane saw the greatest growth in annual prime sales volume at 125%, followed by the Gold Coast at 100%.

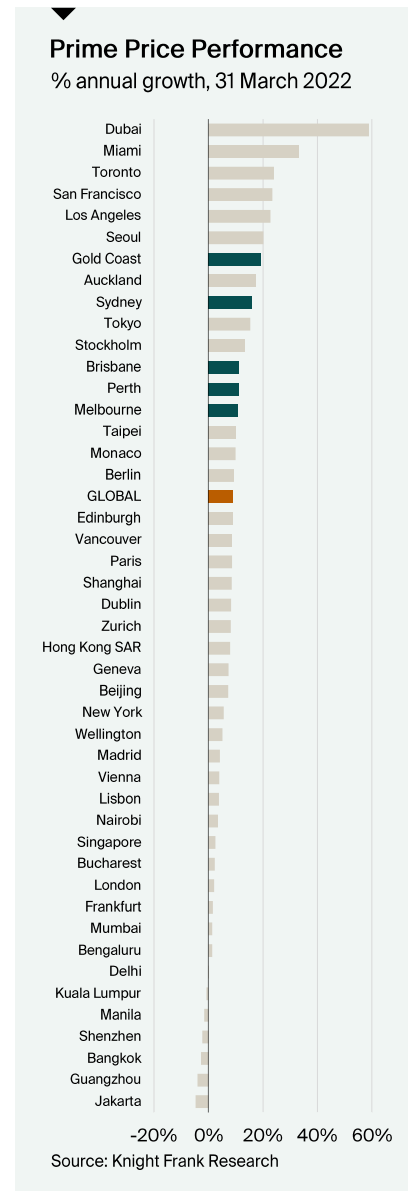
The average number of days a prime Australian home was listed on the market was 76 days in the March 2022 quarter. This was 90 days one quarter ago. Over this time, Brisbane prime properties were on the market 22 days

less on average, the biggest reduction in days recorded across Australia.

Capital growth for Australian prime property rose 1.8% in the first quarter of 2022, rising 13.0% over the year to March 2022.

Overall, Australia's prime price performance trended above the average 9.0% global annual growth as reported in the Knight Frank [Prime Global Cities Index](#). Australia had all five major cities represented in the top 14.

Across the five major Australian cities, Gold Coast prime residential values performed the strongest over this time



AUSTRALIAN CITIES PRIME RESIDENTIAL PRICE PERFORMANCE	GLOBAL RANK 31 March 2022 (Rank one year ago)	ANNUAL GROWTH RATE 31 March 2022 (Rate one year ago)
GOLD COAST	7 (22)	19.3% (3.5%)
SYDNEY	9 (25)	16.0% (1.9%)
BRISBANE	12 (21)	11.3% (3.8%)
PERTH	13 (20)	11.0% (4.1%)
MELBOURNE	14 (27)	10.9% (0.4%)
GLOBAL	-	9.0% (4.6%)

Source: Knight Frank Research, Prime Global Cities Index (45 cities)



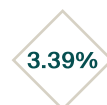
Brisbane saw the highest annual sales volume growth for prime residential property across Australia



Sydney recorded the lowest number of average days on market for prime residential sales in Australia



Gold Coast was the strongest performing city for prime residential annual price growth in Australia



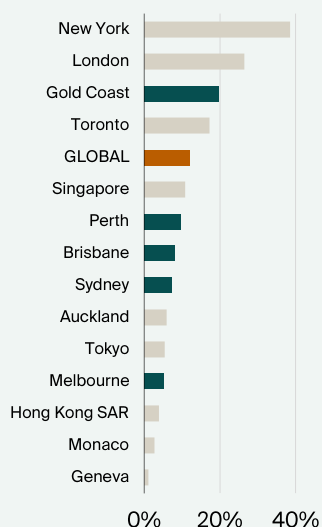
Gold Coast held the highest gross rental yield for prime residential property across Australia



Gold Coast was the strongest performing city for prime residential annual rental growth in Australia

Prime Rental Performance

% annual growth, 31 March 2022



Source: Knight Frank Research

with 19.3% annual growth, ranking 7th from 45 global cities. Sydney in position 9 (16.0%) and Brisbane in position 13 (11.3%) ranked next best.

As the world reopens to looming economic challenges, the ultra-wealthy population will likely continue being active in the prime residential market but replace double-digit, with modest annual price growth ahead.

The Australian prime residential market is forecast to reach 4% annual growth by the end of 2022, with steady growth in 2023, before rising again in 2024 given the ongoing undersupply of new and established prestige homes across most parts of the country.

From an investment perspective, gross

rental yields were lifted by 1 bp in the first quarter of 2022, as Australian prime residential property averaged 2.56%. At this time, the Gold Coast recorded the strongest prime rental yield at 3.39%.

Rental growth for Australian prime property was up 2.3% in the March 2022 quarter, rising 9.8% over the previous year. This was below the global average of 11.9% tracked in the Knight Frank Prime Global Rental Index.

At a city level, the Gold Coast was the only major Australian city to trend above the prime global rental growth average with 19.6%. The next most escalation in prime rents was in Perth (9.7%) and Brisbane (8.1%).

MAJOR CITIES PRIME RESIDENTIAL 31 March 2022

	SYD	MEL	PER	BNE	GC	AUS
UHNW POPULATION GROWTH YoY ^	3.7%	10.2%	10.5%	15.0%	-	10.1%
UHNW POPULATION GROWTH 2021-26 Projection ^	20%	34%	23%	32%	-	31%
SALES VOLUME Annual	4,977	960	648	831	987	8,403
SALES VOLUME YoY	79%	83%	22%	125%	100%	79%
AVE. DAYS ON MARKET	67	73	78	79	81	76
CAPITAL GROWTH YoY	16.0%	10.9%	11.0%	11.3%	19.3%	13.0%
CAPITAL GROWTH Global Rank *	9	14	13	12	7	-
CAPITAL GROWTH 2022 Forecast	5%	4%	3%	4%	6%	4%
CAPITAL GROWTH 2023 Forecast	0%	-1%	1%	2%	3%	0%
GROSS RENTAL YIELD	2.03%	2.68%	1.81%	2.32%	3.39%	2.56%
RENTAL GROWTH YoY	7.2%	5.1%	9.7%	8.1%	19.6%	9.8%

Source: Knight Frank Research

Note: ^ Latest data at time of publishing * From 45 cities

SYDNEY PRIME



Sydney prime sales performance

In the March 2022 quarter, Sydney prime residential sales volume trended down 37.4% to 860 homes selling higher than \$3 million. Although annual sales volume trended 78.8% higher, to total 4,977 sales.

The average days on market for a prime home stood at 67 days in the March 2022 quarter. One quarter ago, this was 72 days.

Sydney prime price performance

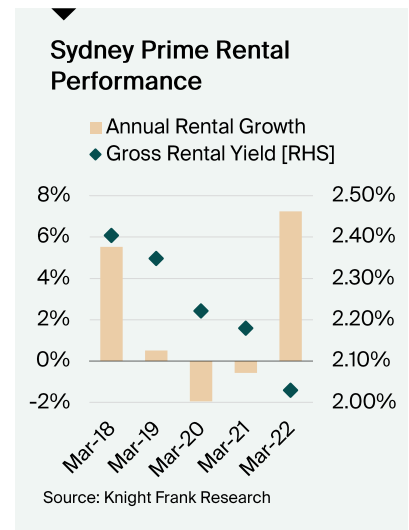
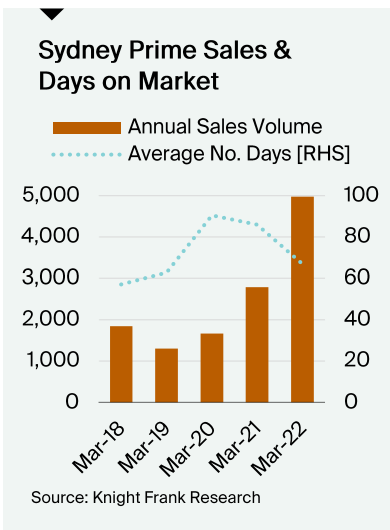
Globally, Sydney ranked 9th from 45 cities for prime annual price growth. Over the year to March 2022, capital growth increased 16.0% for prime homes, rising 1.8% in the past quarter.

Prime residential prices in Sydney are forecast to increase a total of 5% by the end of 2022, before remaining steady in 2023, according to Knight Frank Research.

Sydney prime rental performance

Gross rental yields for prime residential property compressed 3 bps to 2.03% in the first quarter of 2022. A year ago, this prime yield was recorded at 2.18% in Sydney.

Rents for prime homes increased 0.6% over this same time, increasing a total of 7.2% over the past year.



MELBOURNE PRIME



Melbourne prime sales performance

Prime sales volume in Melbourne decreased 56.9% in the March 2022 quarter to 163 residential homes transacting above \$3 million. While annual sales volume is 82.5% higher than a year ago, with 960 sales.

Melbourne prime homes averaged 73 days on the market before selling in the March 2022 quarter. One quarter ago, this was 78 days.

Melbourne prime price performance

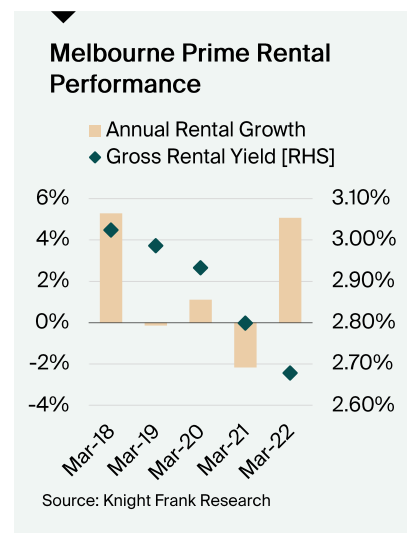
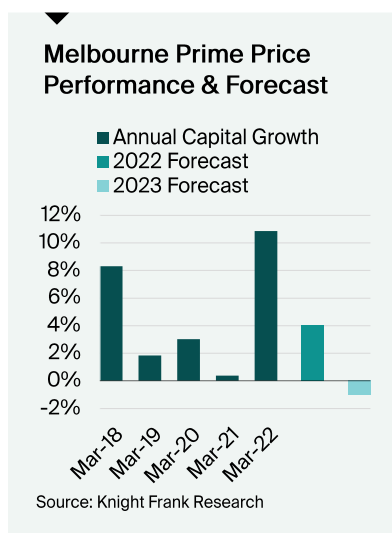
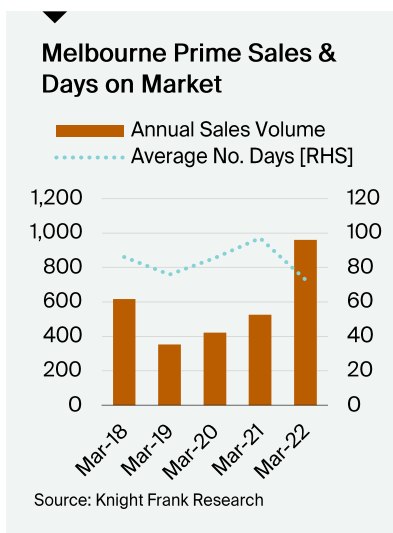
Melbourne ranked 14th from 45 global cities for prime annual price growth. Over the year to March 2022, capital growth increased 10.9% for prime homes, up 2.1% in the past quarter.

Knight Frank Research forecast Melbourne prime prices to increase a total of 4% by the end of 2022, but likely to experience a decline of 1% in 2023.

Melbourne prime rental performance

Gross rental yields for prime residential trended down 4 bps to 2.68% over the first quarter of 2022. One year ago, this prime rental yield was recorded at 2.80% in Melbourne.

Rents increased 2.8% for prime homes over the March 2022 quarter, to total 5.1% growth in the past year.



PERTH PRIME



Perth prime sales performance

Across the prime regions in Perth, sales volume rose 116.9% in the March 2022 quarter to 193 residential homes selling higher than \$2 million. While annual sales volume is 22.3% higher than a year ago, with a total of 648 sales.

Prime homes averaged 78 days on the market before selling in the March 2022 quarter. One quarter ago, this was 93 days.

Perth prime price performance

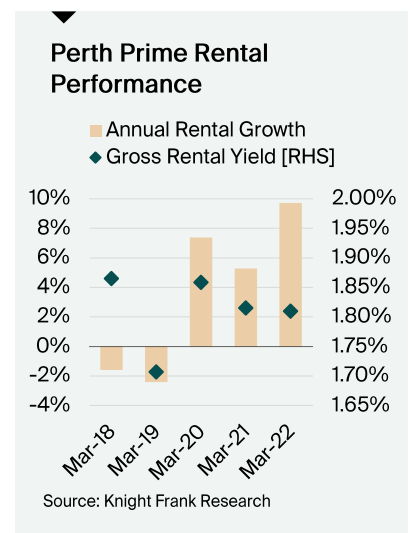
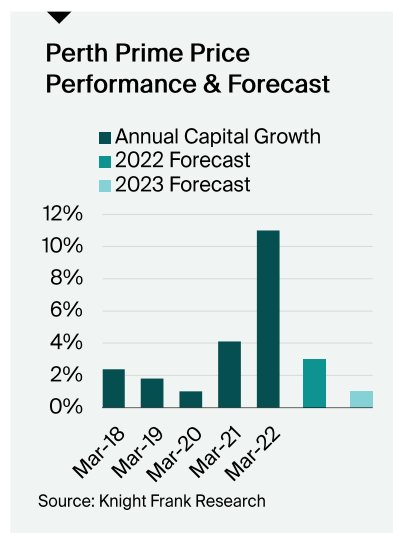
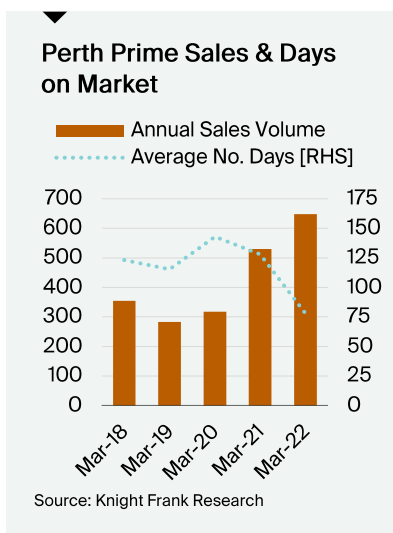
Perth ranked 13th from 45 global cities for prime annual price growth. Over the year to March 2022, capital growth increased 11.0% for prime homes, rising 0.7% over the past quarter.

Prime residential prices in Perth are forecast to increase a total of 3% by the end of 2022, and a further 1% in 2023 according to Knight Frank Research.

Perth prime rental performance

Prime residential gross rental yields trended up 3 bps to 1.81% over the first quarter of 2022. One year ago, this prime rental yield was recorded at 1.82% in Perth.

Rents increased 2.5% for prime homes over the March 2022 quarter, to total 9.7% growth in the past year.



BRISBANE PRIME



Brisbane prime sales performance

In the March 2022 quarter, Brisbane prime residential sales volume trended down 28.9% with 194 homes transacting above \$2 million. Although annual sales volume trended 125.2% higher, to total 831 sales.

The average days on market for a prime home stood at 79 days in the March 2022 quarter. One quarter ago, this was 101 days.

Brisbane prime price performance

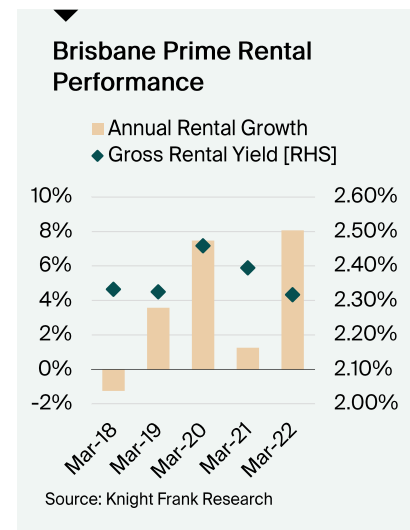
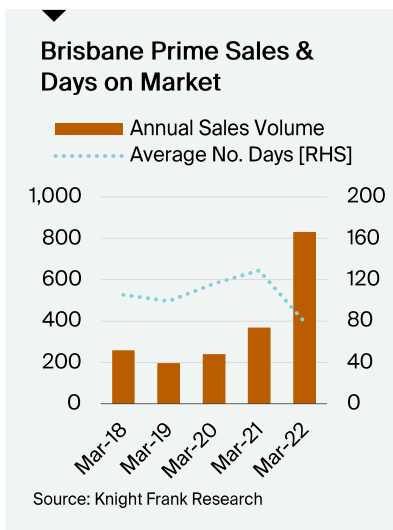
Globally, Brisbane ranked 12th from 45 cities for prime annual price growth. Over the year to March 2022, capital growth increased 11.3% for prime homes, rising 1.8% in the past quarter.

Knight Frank Research forecast Brisbane prime prices to increase a total of 4% by the end of 2022, and a further 2% in 2023.

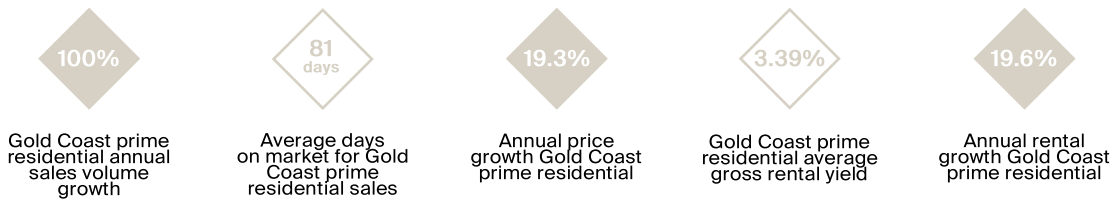
Brisbane prime rental performance

Gross rental yields for prime residential rose 1 bp to 2.32% in the first quarter of 2022. A year ago, this prime yield was recorded at 2.39% in Brisbane.

Rents for prime homes increased 2.3% over this same time, increasing 8.1% in the past year.



GOLD COAST PRIME



Gold Coast prime sales performance

Prime sales volume on the Gold Coast decreased 9.4% in the March 2022 quarter, to 259 residential homes selling higher than \$2 million. While annual sales volume is 100.2% higher than a year ago, with 987 sales.

Gold Coast prime homes averaged 81 days on the market before selling in the March 2022 quarter. One quarter ago, this was 99 days.

Gold Coast prime price performance

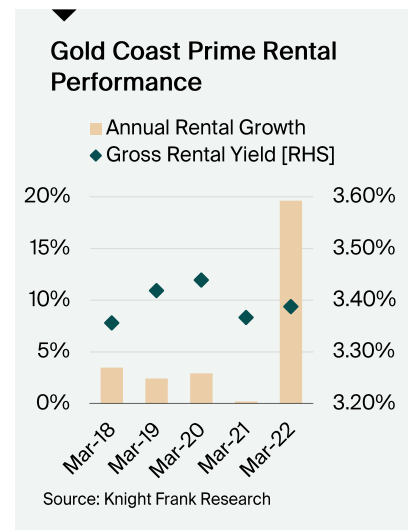
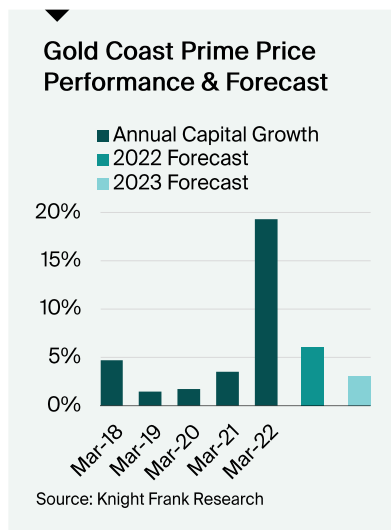
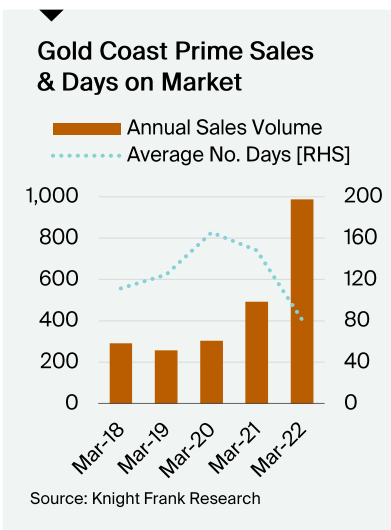
Gold Coast ranked 7th from 45 global cities for prime annual price growth. Over the year to March 2022, capital growth increased 19.3% for prime homes, up 3.1% in the past quarter.

Prime residential prices on the Gold Coast are forecast to increase a total of 6% by the end of 2022, and a further 3% in 2023 according to Knight Frank Research.

Gold Coast prime rental performance

Gross rental yields for prime residential trended up 1 bp to 3.39% over the first quarter of 2022. One year ago, this prime rental yield was recorded at 3.37% on the Gold Coast.

Rents increased 3.2% for prime homes over the March 2022 quarter, to total 19.6% growth in the past year.



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 Sydney and Melbourne and A\$2 million in Brisbane, Perth and the Gold Coast.

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

Currency reference to dollars or \$ refers to Australian dollars (AUD), unless stated.

Geographies for prime regions

Sydney includes the postcodes: Inner Sydney: 2000, 2006-2011; Eastern Suburbs: 2021-2031; Inner West: 2037-2050, 2110, 2137; Lower North Shore: 2060-2069, 2088-2090; Upper North Shore: 2070-2077, 2079-2087; Northern Beaches: 2092-2097, 2099-2108; Southern Beaches: 2219, 2221, 2224, 2229, 2230.

Melbourne includes the postcodes: 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.

Brisbane includes the postcodes: Inner Brisbane: 4000, 4005-4011, 4151; Inner South: 4074-4075, 4101, 4105, 4153-4155, 4169-4173, 4178-4179; Inner West: 4051, 4059-4061, 4064-4069.

Perth includes the postcodes: Inner Perth: 6000, 6004-6005, 6008; Western Suburbs: 6009-6012, 6014-6015, 6019-6020; Inner South: 6151-6156; South: 6158-6160.

Gold Coast includes the postcodes: 4212, 4215-4221, 4226.

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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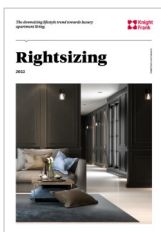
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