

# Australian Prime Residential Review

Q4 2023

Knight Frank's quarterly analysis of the prime luxury residential sales and rental markets across major Australian cities

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## Australia's luxury residential homes outperforming on global platform

- ◆ Reflecting the low number of prestige homes currently listed on the market across the country, sales volume in the second half of 2023 is modest, as prime prices remain on an upward trajectory.

Australian prime luxury residential markets continued to deliver positive annual price growth, buoyed by ongoing demand and constrained supply. The average campaign to sell a prestige home is generally taking longer across Australian cities with more buyers taking their time to consider the options for expanding their property portfolio, despite very little variety of homes available.

Australia's prime price performance of 3.0% over the year to September 2023, trended above the global annual average 2.1% growth as reported in the Knight Frank [Prime Global Cities Index](#). Australia had four major cities trending above the global average and represented in the top 15.

Across Australia's five major cities, Sydney prime residential values performed the strongest over this time with 4.2% annual growth, ranking 8th from 46 global cities. Gold Coast was in position 11 (3.9%) and Perth (3.8%) in 12th place ranked next best, followed by Brisbane in 15 (2.5%) then Melbourne in 26 (0.7%).

Although uncertainty remains in

global markets, Australia tends to be insulated given the relatively smaller prime residential market and this resilience is likely to deliver a stronger price performance forecast for coming years.

Australian prime rental annual growth was 16.4% in September 2023. This was more than double the global average of 7.9% tracked in the Knight Frank [Prime Global Rental Index](#). Sydney, the only city representing Australia amongst the 10 major global cities, ranked the highest with 18.3% annual growth.

Overall, all five of Australia's major cities trended well-above the global average. A chronic undersupply of rental homes currently extends to most parts of Australia at every price point, and this continues to be reflected in the double-digit rental growth for luxury property being recorded.

Brisbane experienced the highest annual prime residential rental uplift with 19.8% ahead of Sydney. Melbourne followed (17.0%), then the Gold Coast (16.3%) and Perth rents being 11.6% higher than a year ago.

4.8%

Australia's change in high-net-worth individuals in 2022

2.1%

Change in 2022 of Australia's ultra-high-net-worth individuals

8.8%

Australian stock market annual growth in September 2023

+8 pts

Business conditions index points in September 2023

19.3%

Profit growth for Australian companies in 2022

8.0%

Annual growth in September 2023 of new private business investment in Australia

# Key Drivers

## ◆ Australia's new private business investment grows.

### WEALTH TRENDS

Australia's high-net-worth individual (HNWI) population, otherwise known as the millionaire population, grew by 4.8% in 2022, to 2,214,326 people with net wealth of more than US\$1 million according to the Knight Frank Wealth Sizing Model.

This population in the four major capital cities (Sydney, Melbourne, Brisbane and Perth) comprises 59.8% of the total Australian HNWI population, after being a similar proportion five years ago. The millionaire population in Australia has grown by 28.0% since this time, although lower than the 42.5% global growth.

The HNW population is projected to grow by a further 71.1% in Australia by the end of 2027, higher than the global growth of 56.9%, when the population outside of the four major cities is expected to hold a 42.6% share of all Australian millionaires, up from the current 40.2%.

The ultra-high-net-worth (UHNW) population across Australia grew by 2.1% in 2022, to 17,456 individuals with net wealth of more than US\$30 million.

Australia's ultra-wealthy population has expanded by 31.1% since 2017,

slower than the global growth of 44.0%, where the UHNW share of the four major cities in Australia has remained similar at 67.3%.

This ultra-wealthy population is projected to grow by a further 40.9% over the next five years, stronger than the global UHNW population growth of 28.5%. Over this time, the share of ultra-wealthy population outside the four major capital cities is likely to grow from 32.7% to 37.2% in 2027.

### THE ECONOMY

Australia's economy grew by an estimated 2.1% in September 2023, while unemployment was recorded at 3.4%. Oxford Economics forecast economic growth to rise to 3.4% at the end of 2023, 1.3% in 2024 and 3.1% in 2025.

Australia's stock market performance on the S&P/ASX 200 fell in the third quarter of 2023 by 1.9%, arriving at total change of 8.8% over the past year. The stock market is forecast to record 2.2% by the end of 2023, and 1.0% in 2024 and 6.0% in 2025.

Business conditions trended down 1.0 pts in the September 2023 quarter to +7.5 index points in the NAB business

sentiment survey. This was +20.3 index points one year ago.

Company profits across Australia fell by 19.3% in 2022, after recording 5.3% growth in 2021. Annual company profits are forecast to fall by 0.3% in 2023, before falling by 4.2% in 2024, with 1.7% growth in 2025 (Oxford Economics).

New private business investment grew by 8.0% in the year to September 2023 (ABS). This was higher than 6.8% annual growth recorded a year earlier.

### LENDING ENVIRONMENT

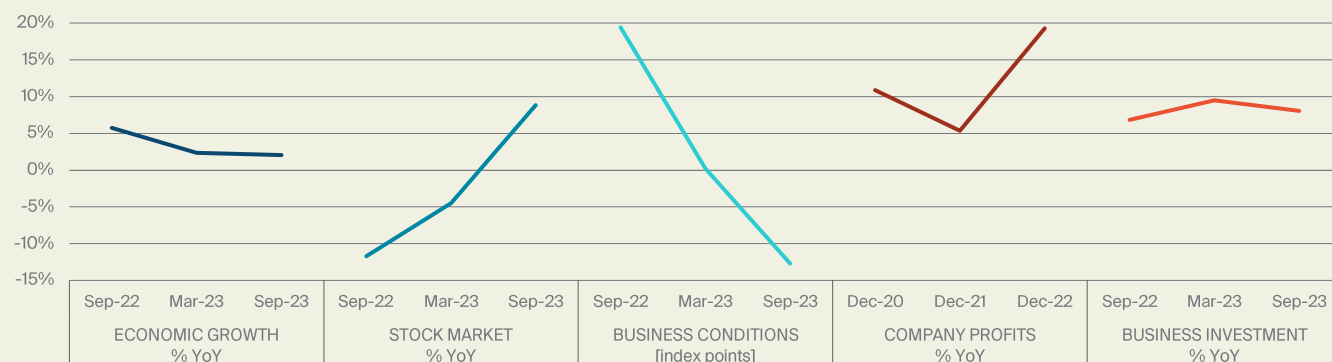
The official cash rate was last set by the Reserve Bank of Australia at 4.35% on 5 December 2023. This rate was 3.10% a year ago. Oxford Economics forecast the official cash rate towards an average rate of 3.85% by the end of 2025.

Over the year to September 2023, average mortgage lending rates to owner occupiers increased by 51 bps to 6.56% for a 3-year fixed term loan and rose by 175 bps to 8.52% for a standard variable loan.

For investors, a 3-year fixed term increased by 64 bps to 6.65%, and a standard variable loan rose by 175 bps to 9.10%.

### Australian Key Drivers

Prime residential market



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

# Prime Residential Price Performance

◆ Prime residential annual sales transactions were on an upward trajectory in the third quarter of 2023, with price performance picking up throughout this time and over the past year.

-11%

Australian prime residential sales volume in September 2023 compared to a year earlier

77 days

Average number of days an Australian prime residential home was on the market before transaction

3.0%

The change in Australian prime residential prices in the year to September 2023

34%

Perth Prime

Best annual growth in sale transactions

74

Brisbane Prime

Lowest number of days on market

4.2%

Sydney Prime

Strongest annual price growth

## PRIME SALES & PRICE PERFORMANCE

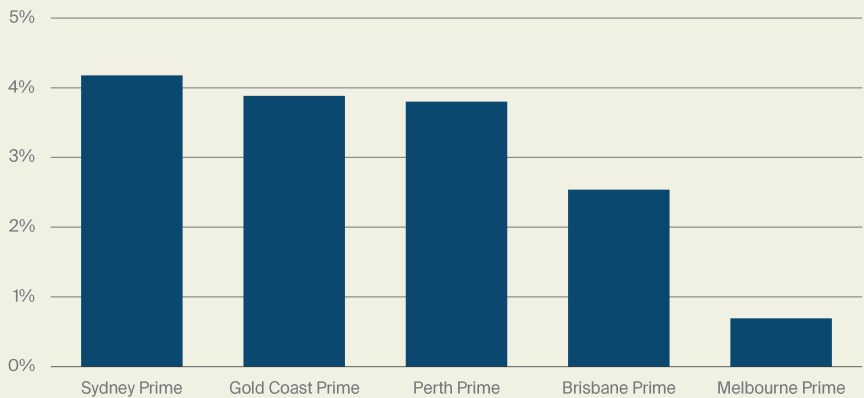
Across the five major Australian cities, prime luxury sales volume trended down 14% in the September 2023 quarter, while the annual volume declined 11% to total 2,171 sales.

The average days on market for a prime home in Australia was 77 days in September 2023. This was 73 days three months earlier, and 62 days one year ago.

Prime residential property prices increased 3.0% in the year to September 2023, while rising 0.2% in the last quarter. Looking forward, prime prices are forecast to rise 3% at the end of 2023, with 4% in 2024 and 5% in 2025, according to Knight Frank Research.

## Australian Prime Residential Price Index

% annual price change, September 2023



Source: Knight Frank Research

## Australian Prime Price Forecast

Prime Residential Price Forecast						
	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Sydney Prime	16%	1%	3%	5%	7%	5%
Melbourne Prime	9%	4%	1%	3%	5%	3%
Brisbane Prime	11%	0%	2%	3%	4%	3%
Perth Prime	10%	1%	5%	4%	4%	4%
Gold Coast Prime	17%	4%	3%	4%	6%	4%
Australian Major Cities	12%	2%	3%	4%	5%	4%

Source: Knight Frank Research

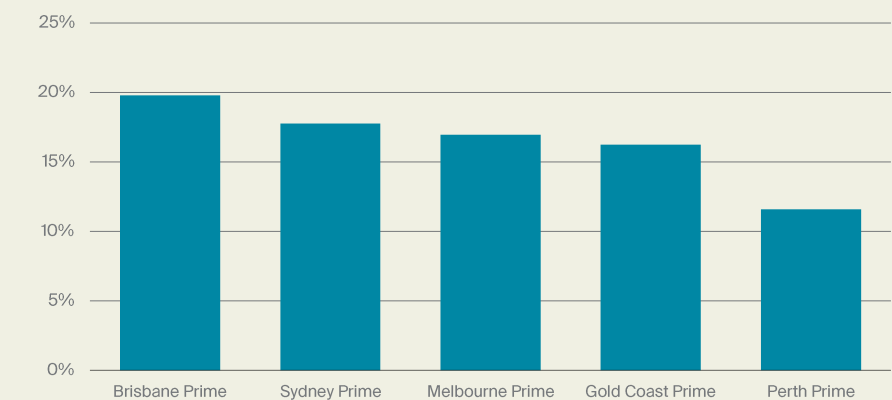
# Prime Residential Rental Market

◆ For the second consecutive quarter, double-digit annual prime residential rental growth was recorded for all five major Australian cities and continued to rise, with solid growth forecast for at least the next three years.

**4.12%**  
**Gold Coast Prime**  
Highest gross rental yield

**19.8%**  
**Brisbane Prime**  
Strongest annual rental growth

**Australian Prime Residential Rental Index**  
% annual rental change, September 2023



Source: Knight Frank Research

**3.04%**  
Gross rental yield achieved in September 2023 for an Australian prime residential investment

**16.4%**  
The annual change in Australian prime residential rents in September 2023

**3.3%**  
Change in Australian prime residential rents in the September 2023 quarter

## PRIME RENTAL MARKET

From an investment perspective, prime luxury residential gross rental yields rose 35 bps in the year to September 2023, as Australia's five major cities averaged 3.04%.

Prime residential rents increased 3.3% in the September 2023 quarter, while increased by 16.4% over the past year. This is being influenced by the 1.6% residential rental vacancy recorded across Australia in September 2023 (REIA).

Knight Frank Research forecast rents to rise 18% at the end of 2023, with 11% growth likely in 2024, and 8% in 2025.

## Australian Prime Rental Forecast

Prime Residential Rental Forecast						
	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Sydney Prime	7%	7%	18%	12%	7%	12%
Melbourne Prime	0%	9%	19%	10%	8%	12%
Brisbane Prime	5%	12%	16%	10%	8%	11%
Perth Prime	10%	8%	13%	8%	6%	9%
Gold Coast Prime	14%	19%	21%	14%	9%	15%
Australian Major Cities	7%	11%	18%	11%	8%	12%

Source: Knight Frank Research

## Data digest

### Prime (luxury) residential property

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

### Prime residential sales

Sales hold a threshold of \$3 million in Sydney and Melbourne and \$2 million in Brisbane, Perth and the Gold Coast.

### Ultra-high-net-worth individual (UHNWI)

Someone with a net worth of over US\$30 million including their primary residence.

### High-net-worth individual (HNWI)

Someone with a net worth of over US\$1 million including their primary residence.

### Currency

All references made to dollars or \$ is 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.

### Recent Research



Prime Global Cities Index



Prime Global Rental Index



The Wealth Report 2023  
Wealth Populations Edition



The Wealth Report 2023



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