The downsizing lifestyle trend towards luxury apartment living.

Knight Frank

Rightsizing

2022

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Key Findings

The Knight Frank Global Buyer Survey found some 42% of **Australians are seeking** a city location for their next move, whilst 17% are more likely to adopt apartment living post pandemic.

New apartment prices in high-rise projects grew 36% since June 2015, while the **established apartment prices** saw a 31% rise across the major cities.

The **pipeline of new apartments** in prime regions around Australia will fall by 39% over the next three years across low-rise, mid-rise and high-rise projects. This will be mostly felt in Brisbane and Sydney. While Perth and the Gold Coast will welcome new supply to ease pressure in their city.

Penthouses were found to have an average size premium of 182% in Sydney, whilst recording a price premium of 22%, based on sqm rate.

Talking **car spaces**, Sydney has the greatest premium, of 32%, between the average sales rate for a prime apartment with parking, compared to an apartment without car parking.

RIGHTSIZING

More than ever before, our aspirations for the way we live, work and play are evolving as many seek a more simplified way of life. Michelle Ciesielski analyses the prime luxury apartment market trends across Australia.

Two years have passed since we first introduced 'rightsizing', 'rightsizers' and to 'rightsize' to the Australian property industry — that is, ultimately the downsizing lifestyle trend towards luxury apartment living. Our clients, both developers and home buyers, often ask how this trend is panning out in light of COVID-19. If it's any indication of interest, we've been inundated with requests to provide an update on our first report Rightsizing 2020.

Despite living through multiple lockdowns throughout a global pandemic, the concept of living in a luxury apartment in the sky, with house-like proportions, is still an aspiration for many across Australia.

Some may have felt the need to pause or delay their purchase over lockdown, to await confirmation of changing work patterns or to simply reassess their lifestyle, but they haven't been deterred as for many, the intention is still there to 'make the move' to a low maintenance way of living.

Others are keen to get their passport out to travel to their second homes located around the world, and are attracted to the ease of lock-up-and-leave when residing in a secured apartment residence.

We've seen the pandemic has induced the possibility of a co-primary home, where the second (holiday) home is now being treated as much equal to a primary home, as the main residence.

As business activity picks up in the city centres, a rightsizer pad in the city is likely to become a preferred option for those who have become more accustomed to spending increasingly more time in their coastal or country homes.

In this report, we share the impact of the pandemic on buyers' motivations, we look at the performance of prime apartments both established and new, investigate the three year pipeline for new apartments, take a look at the car space premium across the major cities of Australia and future trends to have on the radar. We also explore branded residences, the premium paid for penthouse living and how rightsizers make the move with their classic cars, wine and fine art collections.

WHY RIGHTSIZE?

Whether our high-net-worth clients are entrepreneurs, power couples, families, active retirees or international investors, their experience rightsizing to a luxury apartment often shares a similar narrative.

Clever Spaces

Generous living and entertaining spaces despite a reduced floor plan, with this efficiency extending to the display and stowage of luxury collectable assets.

Enriched Wellbeing

Integrated wellness amenities are being attributed to a fabulous lifestyle amongst residents, and this experience is often shared with social circles.

Smart Living

Beyond technology playing a role with creating solutions, time is respected with low maintenance living and amenities replacing surplus space with experiences.

Lateral Agility

Reaping the benefits of single-level lateral living, accessed by a central or private lift with increased walkability in and around the community.

Enhanced Protection

Less entry points enhances both privacy and security, with concierge providing seamless lock-up-and-leave for global citizens, when travelling.

Sharp Design

New modern buildings increasingly allow for smart apartment design and the possibility of leaving an overall smaller environmental footprint.

Savvy Upkeep

Quarterly owners corporation (strata) fees outweigh the maintenance costs of a standalone prestige home, with less chance of unexpected capital works.

WHAT BUYERS WANT

How are buyers' priorities , motivations and attitudes changing towards apartment living? We look at the Australian responses from the Knight Frank Global Buyer Survey.

Peeling the layers back from Knight Frank's Global Buyer Survey 2021 reveals a unique insight into what impact COVID-19 has had on domestic housing demand in Australia.

On the move

Since the start of the pandemic, one-third of Australian respondents have moved house. Given strict lockdowns imposed at different times since March 2020, it was somewhat expected that one in four of Australians relocating wanted more outdoor space, listing this as the main reason for their move.

Of those moving house in Australia, 18% was for a change of city/country, with 13% moving closer to a city centre location, while 13% found a home with more indoor space. A further 18% of Australians surveyed are inclined to move house within the next year as a result of the pandemic.

Global Buyer Survey 2021

Represents the views of over 900 Knight Frank clients across 49 countries and territories. The survey was conducted between 10 June and 22 July 2021.

Of the Australian respondents, 95% lived in a city or suburban location, where 79% owned their home (with a mortgage or outright), two-thirds were aged 31 to 50 years and 57% had a household income of more than US$200,000.

Cities mounting a comeback

The 'race for space' has grabbed headlines globally but cities look to be mounting a comeback.

Perhaps most surprising, is the extent to which cities are back in favour. In Australia, of those respondents that are more inclined to move in the next 12 months, 42% are looking at a city location and 15% are moving for downsizing, or retiring, reasons.

42%
Australians surveyed will be seeking a city location for their next move

Buyers' motivations and priorities

Although we've been more confined throughout the pandemic, 42% of Australian's surveyed said they had no change in their propensity to move to an apartment and 17% believed they were more likely to adopt this type of living.

17%
Australians surveyed are more likely to adopt apartment living post pandemic

...for property features

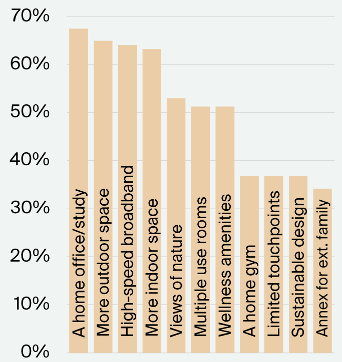
When citing the property features of most importance when choosing their next property, two-thirds of Australian respondents selected having a home study/office, with 46% planning to commute three days, or less, to an office environment once restrictions have been lifted.

More outdoor space (65%) was next ranked, then access to high-speed broadband (64%), followed by more indoor space (63%).

Despite the pandemic, 56% of Australian respondents had no change in preference for homes with limited touchpoints when restrictions end, including pandemic-conscious design/ wireless/contactless features.

Buyer Survey: Property features in next home

What will be more important for Australian buyers?



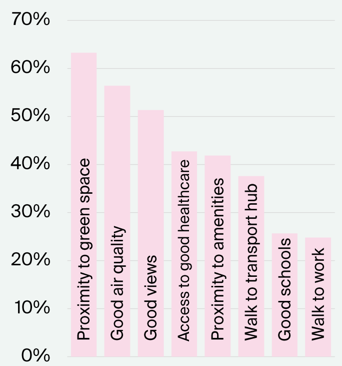
Source: Knight Frank Research Global Buyer Survey 2021

...for location features

When considering location, more than half of Australian respondents said proximity to green space was a more important factor once restrictions end (63%), followed by good air quality (56%) and good views from their new home (51%).

Buyer Survey: Location features in next home

What will be more important for Australian buyers?



Source: Knight Frank Research Global Buyer Survey 2021

IMPACT OF THE PANDEMIC ON AUSTRALIAN BUYERS

What impact has the pandemic had on Australian residential buyers' attitudes?

This is the second time Knight Frank has undertaken the Global Buyer Survey. Last year, a few months into the pandemic, the survey was firmly focused on who was moving and where.

In mid-2021, our global residential team were keen to understand if the changes we're seeing locally are permanent, and for those who have moved home since the start of the crisis, what are their next priorities?

Both the results from the Global Buyer Survey, and the strong residential sales being achieved in the Australian market over the last 12-18 months, show the continually increasing appetite of buyers for both primary and secondary homes.

Whether buying or renting, the COVID-19 pandemic has caused Australians to prioritise space in their homes, with a willingness to spend big to achieve this.

The gap between buyer demand and appropriate property supply is widening, with residential construction difficulties continuing to delay delivery of new product.

Rising prices are creating a highly pressurised buying environment given the low cost of borrowing and in many instances, being driven by fear-of-missing-out (FOMO) from buyers across many of our cities.

Throughout the pandemic, lifestyle has become increasingly more important for Australian buyers, and this has manifested in a focus on location and for those seeking to rightsize to an apartment, an increased level of interest in branded residences.

PRIME PERFORMANCE

Whilst Australia's border has remained closed, the ultra-wealthy population has focussed their spend domestically and are building up their property portfolios at home.

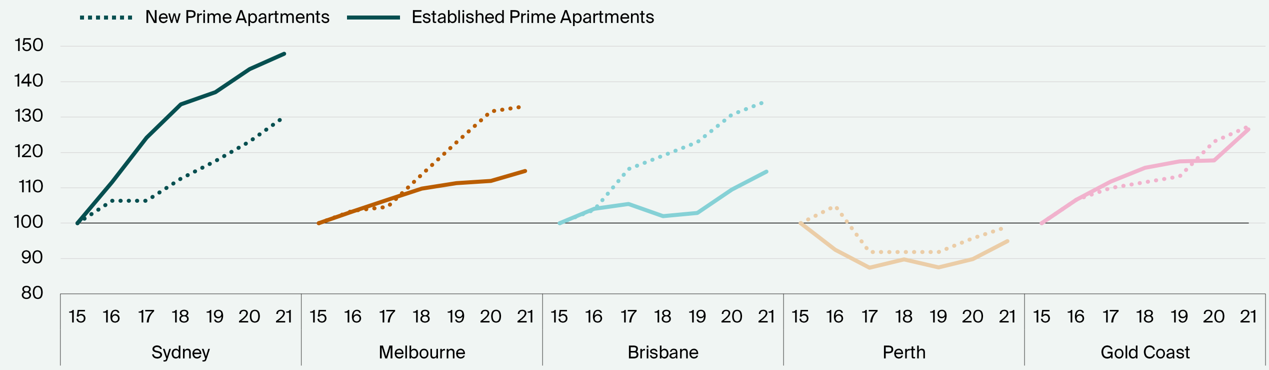
Prime property
Prime (luxury) residential property is the most desirable and most expensive property in a given location, generally defined as the top 5% of each market, by value. Prime residential sales hold a $3m threshold in Sydney and Melbourne and $2m in Brisbane, Perth and the Gold Coast.

Price growth solid
Newly built, or off-the-plan high-rise apartments, have seen strong price growth of 36% since June 2015 outperforming both the Australian stock market (34%) and the established apartment market (31%) across the major cities.

Sydney was the only city to buck the trend over this time, with established prime apartments recording 48% growth compared to 30% for new apartments. Buyers were left with very little choice, with limited new luxury product being launched across Sydney prime regions throughout this time. This made established apartments significantly more competitive with a highly motivated buyer pool.

Apartments still on the agenda
Although the pandemic encouraged standalone house price performance to overtake the apartment market, it also accelerated the concept of the co-primary home. In many cases, this will create a bolthole in the city in

Historic price performance for new and established prime apartments
Indexed, 100 = Jun-15, prime regions in major cities, as at June

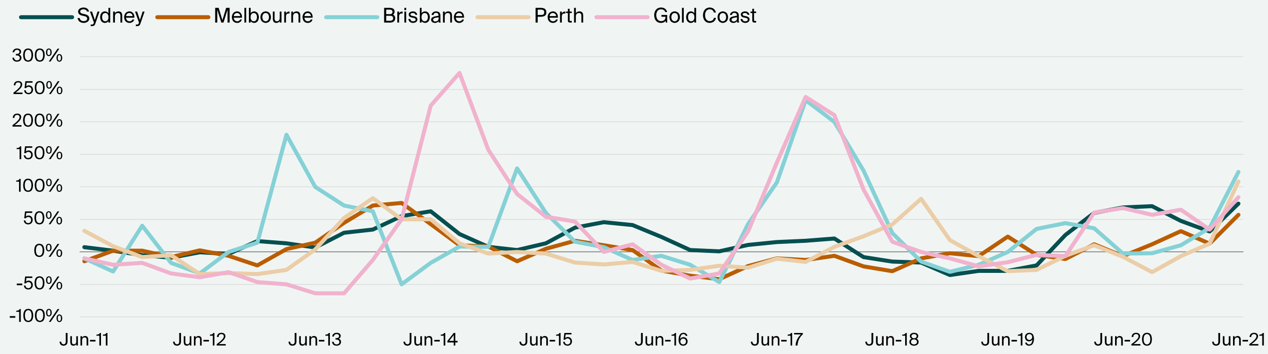


Source: Knight Frank Research

Note: New apartments in high-rise projects

Historic change in sales volume of prime apartments

% annual rolling growth, prime regions in major cities



Source: Knight Frank Research

Australian Prime Apartments

31%

Established Apartments
Price growth between 2015 and 2021

36%

New Apartments
Price growth between 2015 and 2021

preparation for business activity returning to the office environment, whilst also providing residence in their country and coastal second homes.

Over the coming years, increasingly more will seek a low maintenance home as their main residence, given the transient global lifestyle will return for many of the ultra-wealthy population. This pent-up demand will continue whilst new luxury apartment delivery and sales listings remain shallow across almost every prime regions of Australia.

Upward momentum in prime apartment sales volume

The first quarter of 2021 saw all five major Australian cities record positive annual growth in sales volume, only the third time this had occurred over the past ten years. We then saw for the first time, a consecutive second quarter of positive growth, and this time collectively all cities recorded a strengthening upward trajectory. History has shown this tends to lead to further price growth, bolstering the outlook for the prime luxury apartment market over the coming year.

Super-prime apartment sales surge

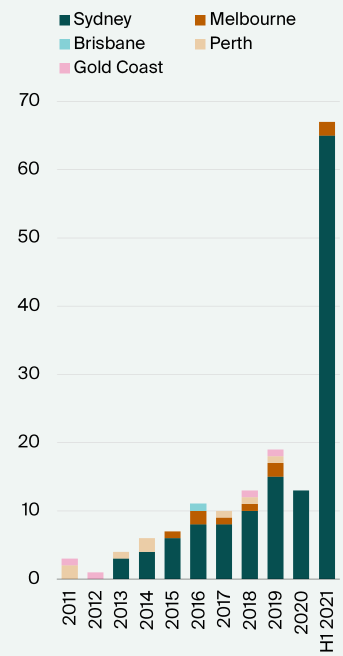
As the preference towards luxury apartment living continues, so has the delivery expectation to a truly exceptional global standard. This super-prime apartment market tends to be tightly held across Australia, so despite steadily expanding over the past decade, there has only been an average of 8.7 sales transactions a year from 2011 to 2020. Outstandingly, the first half of 2021 was almost eightfold above this 10-year average. Of these 2021 sales, 70% were counted in Sydney's Crown Residences at One Barangaroo project, given they had officially exchanged, settled and publicly registered within this time.

Super-prime property

Super-prime residential property is generally defined as the top 1% of each market, by value. Super-prime residential sales hold a threshold of $10m in Sydney and Melbourne and $7m in Brisbane, Perth and the Gold Coast.

Historic sales volume of super-prime apartments

Number of sales



Source: Knight Frank Research

VIEW FROM THE TOP

What is the premium buyers are willing to pay for the penthouse in new developments around the world?

Spectacular views, security and sweeping lateral spaces make penthouses the pinnacle of urban living.

Analysis across five global cities – New York, London, Hong Kong, Singapore and Sydney – reveals penthouses are on average 129% larger than the average apartment in the same development and can command a premium in price of 35% on a per square metre (sqm) basis.

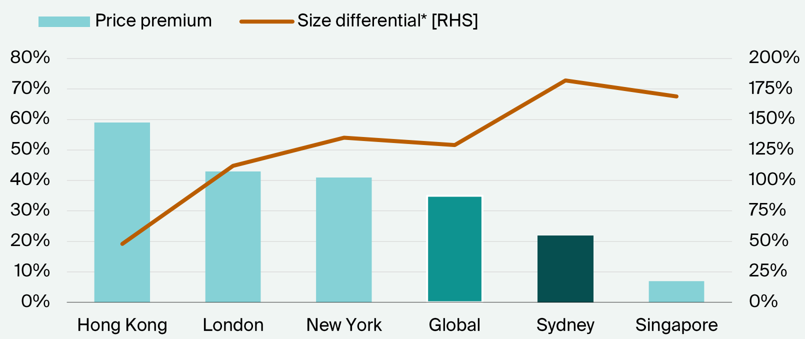
Exclusivity and privacy also underpin values and local factors such as, configuration of developments and sales technique, mean premiums in various cities can differ by up to 50%.

Unique characteristics

In New York, where a penthouse commands an average price premium of 40% compared to other apartments, buyers have been known to seek out one-of-a-kind residences as a unique haven for them and their families. These homes frequently include a prized feature in any city – private outdoor space.

Penthouse premia

The premium commanded by the penthouse against the rest of the development average, on a per sqm basis, and average size differential*



Source: Knight Frank Research

*The difference between the average floorspace in the penthouse apartment compared to the average of the rest of the development

Design elements can also add to the price achievable in cities. Developers transcend the luxury features in a penthouse, from the size of rooms and ceiling heights, down to the smallest detail on specification.

In London, it is not unusual for penthouse purchasers to buy early off-the-plan to allow them to tailor the space, coordinating with the developer, motivated by the fact that the penthouse can be altered with less structural implications and disturbance.

Record prices

London penthouses continue to break records in their respective markets notably at the Chiltern Place in Marylebone, One Grosvenor Square in Mayfair and One Kensington Gardens, although One Hyde Park still holds London's capital value record to date. Indeed, London has the second highest penthouse premium of the cities at an average uplift of 43%.

Hong Kong, the world's second most expensive prime property market, has an average premium of 59%, the largest of the cities.

182%
Sydney penthouse average size premium

The sales technique in Hong Kong tends to be different owing to a higher price. Developers sell the penthouse through tendering which also contributes to a higher premium than other apartments which are sold according to a pre-determined price list on a lottery basis.

Size matters
The larger the space differential, the smaller the premium. For example, of the cities, Singapore penthouses command the smallest premium, with an average of 7% yet they are, on average, almost three times the size of their counterparts – in Hong Kong penthouses are around 50% larger.

Sydney's penthouse prices command a premium of 22%, on average, compared to others in the development, lower than in other global cities – but the highest size differential, at 182%.

This size differential demonstrates how large Sydney apartments are when compared to other global cities and this factor also tends to skew the square metre rate when comparing super-prime apartments in the harbour city.

22%
Sydney penthouse price premium per sqm

REVOLUTIONISING THE CONCEPT OF 'THE PENTHOUSE'

A new era of super-prime property in Australia is being heralded in by world-class penthouses like Crown Residences at One Barangaroo. Erin van Tuil, Partner at Knight Frank Australia explains.

A revolution in the concept of the residential penthouse is being led by the Crown Residences at One Barangaroo. Until this recently completed development in Sydney, traditionally, Australia's prime apartment towers had been uniform in configuration – the penthouse with exclusive features was very much the pinnacle apartment within the complex.

Breaking the mould of the traditional penthouse, all residences are created equal in 'penthouse quality'. All residences are finished with the same materiality to the same exceptional standard, all have views to Sydney's icons, and all have the same access to the services and amenities of the Crown Resorts hotel beneath. You don't need to be at the top of the building, or in a very large residence, to take advantage of this lifestyle.

The new concept offered by the residences in One Barangaroo is likely to pave the way for the prime market in Australia, with more super-prime projects likely to emerge over the next decade. We have seen that buyers are willing to pay this premium.

The first half of 2021 was the first time it's been possible that exchanged sales in the super-prime Crown Residences at One Barangaroo have been captured within the total residential sales volume by our research team, as these off-the-plan sales had also settled in this period.

What we saw in this time was the top five super-prime apartment sales in Sydney average $39 million, and four of these five apartment sales took place at One Barangaroo - reflecting the demand of our ultra-wealthy population for super-prime luxury homes in the sky.

PRIME PIPELINE

Sales of sites suitable for residential development across the prime regions have started to accelerate, but there's likely to be a considerable lag before undersupply is corrected.

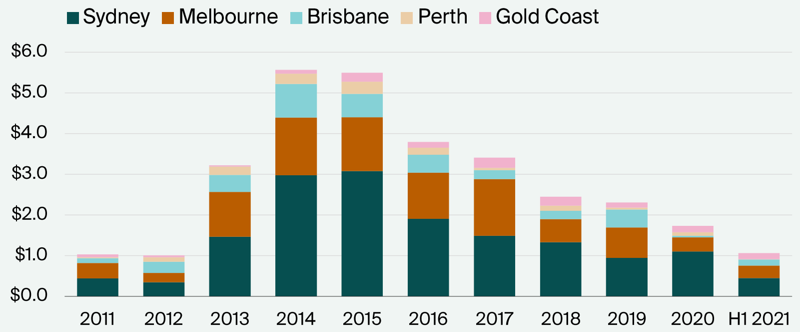
Impact of declining site sales
Residential site sales suitable for low-rise, mid-rise and high-rise development across the prime regions within the major cities have trended below pre-2013 levels since 2018, continuing a decline in volume since the 2014 peak. This reduction of potential sites has led to a diminishing pipeline of new apartments and significantly contributed to the ongoing upward pressure on prices.

On top of this, before turning the first sod, developers face uncertainty with delivery timelines which has come with the delay in securing building materials stuck in offshore supply chains and sourcing skilled workers, although this was already an issue plaguing the industry prior to the global pandemic being declared.

At the time of publication, a number of new site sales were in due diligence, indicating the total volume reached in 2021 is very likely to overtake the 2020 total. However, this recent upward trajectory in site sales is still a long way from correcting many years of undersupply across the prime regions.

Diminishing pipeline
The total number of apartments in low-rise, mid-rise and high-rise projects averaged 26,040 a year, across Australia's major cities since 2015. This average is expected to fall by 39% over the next three years when considering those projects currently under construction, being marketed and are possible to be built within this timeframe — this contraction is led by Australia's largest three cities—Sydney, Melbourne and Brisbane. Bucking this trend is Perth and the Gold Coast. Both cities welcome their modestly elevated number of new apartments in the pipeline following a chronic level of undersupply and additionally for the Gold Coast, a rising population drawn to the relative value and balmy lifestyle.

Major residential development site sales in prime regions
$ billion, total disclosed sales suitable for low-rise, mid-rise and high-rise projects



Source: Knight Frank Research

Note: $5m+ in SYD & MEL; $2m+ in BNE, PER & GC

More accommodation configured
From our client enquiries, rightsizers generally prefer a 3-bedroom configured luxury apartment, closely followed by a 2-bedroom (plus study) depending on the city. Tracking distribution of apartments by their number of bedrooms has revealed developers, in the three-year pipeline, have shifted towards building a higher proportion of apartments with 3-bedrooms to accommodate this rightsizing trend, at a 32% share. This average resulted across all low-rise, mid-rise and high-rise projects—up from 21% in projects built since 2018.

LOW-RISE APARTMENTS PRIME PIPELINE

By definition, low-rise projects have two or three storeys and have a minimum of six apartments. The pipeline covers the prime regions of major Australian cities.

Key observations on the pipeline delivery of apartments in low-rise projects across the prime regions

1

Brisbane saw the highest number of apartments in low-rise projects completed over the 2015-2020 timeline averaging 860 apartments per year. This was followed by Melbourne (800), Sydney (440), the Gold Coast (310) and Perth (140).

2

The annual number of apartments built in low-rise over the next three years in Brisbane is expected to be 62% lower than the six-year average built to 2020. Sydney's annual forecast is expected to fall by 36%, the Gold Coast by 25% and Melbourne by 22%.

3

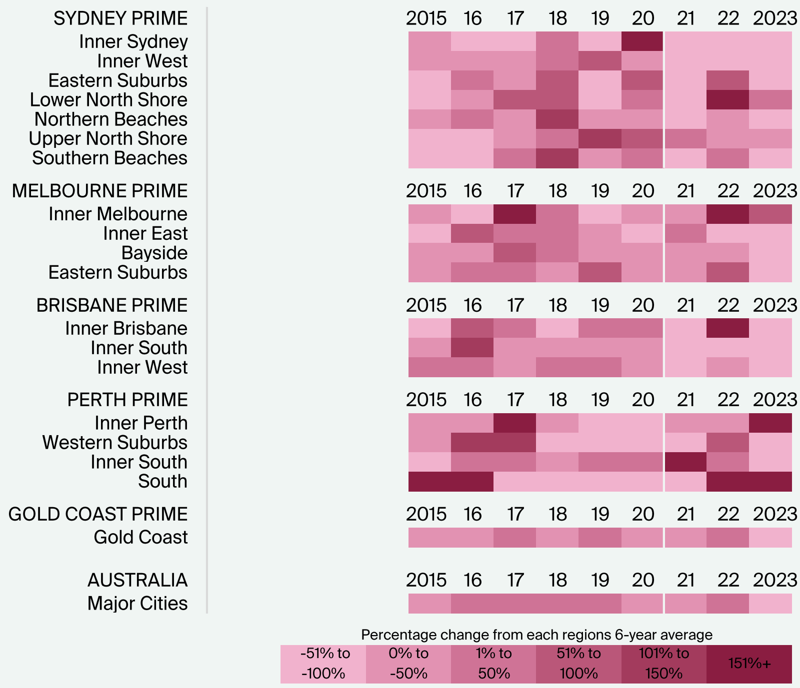
Perth is the only city likely to exceed the six-year average with a forecast rise in the annual average of 25% by the end of 2023. This will come as a welcomed relief in these prime regions given the shortage in recent years.

4

The share of 3-bedroom configured apartments due for completion by 2023 in low-rise projects will average 67%, rising from a share of 60% over the past three years. As a result, the portion of 2-bedroom configured apartments will fall from 30%, to 26%.

Pipeline delivery of apartments in low-rise projects across prime regions in major cities

% change from each regions 6-year average [2015-2020], by calendar year

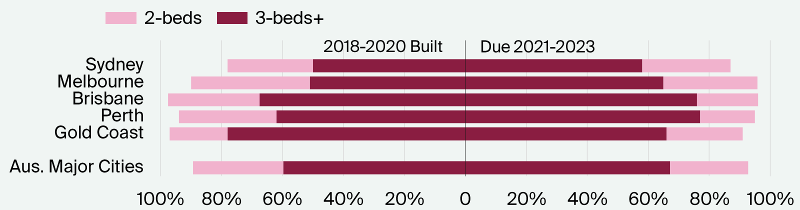


Source: Knight Frank Research

Note: Projects with 2-3 storeys and 6+ apartments

Distribution of apartments across low-rise projects

% share across prime regions in major cities



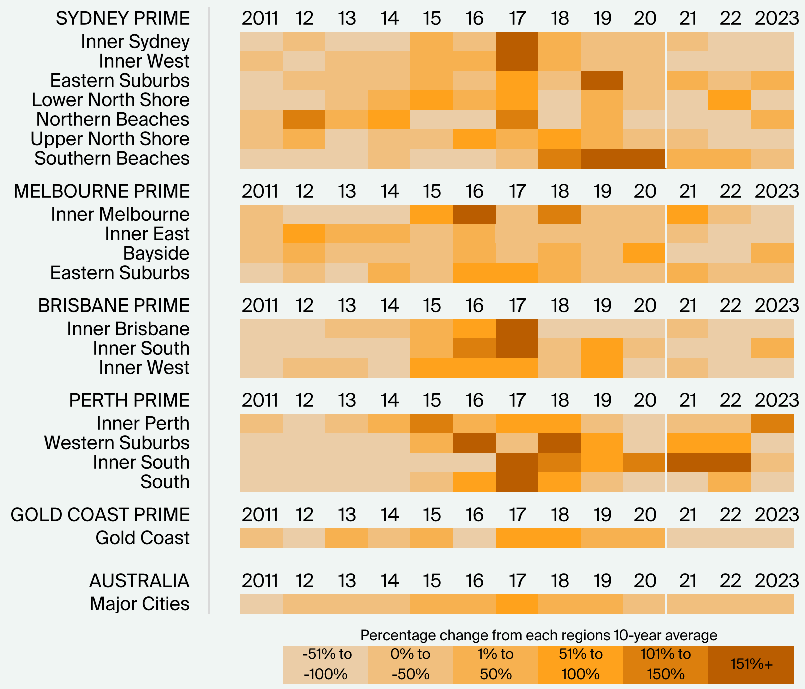
Source: Knight Frank Research

MID-RISE APARTMENTS PRIME PIPELINE

Mid-rise projects are four to seven storeys high and have a minimum of six apartments, by definition. The pipeline covers Australia's major prime regions.

Pipeline delivery of apartments in mid-rise projects across prime regions in major cities

% change from each regions 10-year average [2011-2020], by calendar year

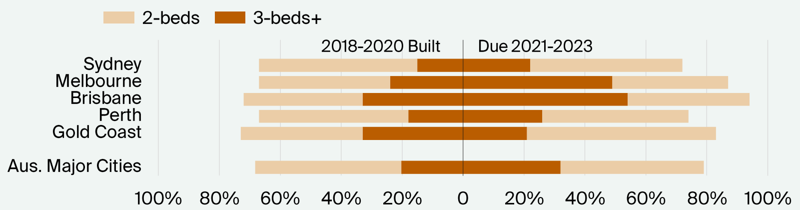


Source: Knight Frank Research

Note: Projects with 4-7 storeys and 6+ apartments

Distribution of apartments across mid-rise projects

% share across prime regions in major cities



Source: Knight Frank Research

Key observations on the pipeline delivery of apartments in mid-rise projects across the prime regions

1. Sydney recorded the greatest number of apartments in mid-rise projects completed between 2011 and 2020, averaging 2,160 apartments per year. This was followed by Melbourne (1,490), Brisbane (640), Perth (390) and the Gold Coast (250).

2. Built in mid-rise projects over the next three years, the annual number of apartments on the Gold Coast is due to be 72% lower than the 10-year average built to 2020. Sydney's annual forecast is expected to fall by 48%, Brisbane by 43% and Melbourne by 33%.

3. Perth is the only city expected to overtake the 10-year average with an increase of 31% in the annual average by 2023. This injection of mid-rise new apartment supply is modest, but overdue so will be embraced.

4. In mid-rise projects, the portion of 3-bedroom configured apartments due by 2023 will average 32%, rising from a share of 20% over the past three years. To compare, the 2-bedroom configured apartments share will fall slightly from 48%, to 47%, over this time.

HIGH-RISE APARTMENTS PRIME PIPELINE

High-rise apartment projects are considered to have eight or more storeys. The pipeline covers the major prime regions across Australia.

Key observations on the pipeline delivery of apartments in high-rise projects across the prime regions

1

Across the 2011 to 2020 timeline, Melbourne delivered the highest number of apartments in high-rise projects averaging 6,010 apartments each year. This was followed by Brisbane (3,450), Sydney (2,810), the Gold Coast (850) and Perth (540).

2

The annual number of apartments built over the next three years in Brisbane high-rise is expected to be 53% below the 10-year average built to 2020. Sydney and Melbourne's annual forecast is also expected to be lower, by 28% and 14%, respectively.

3

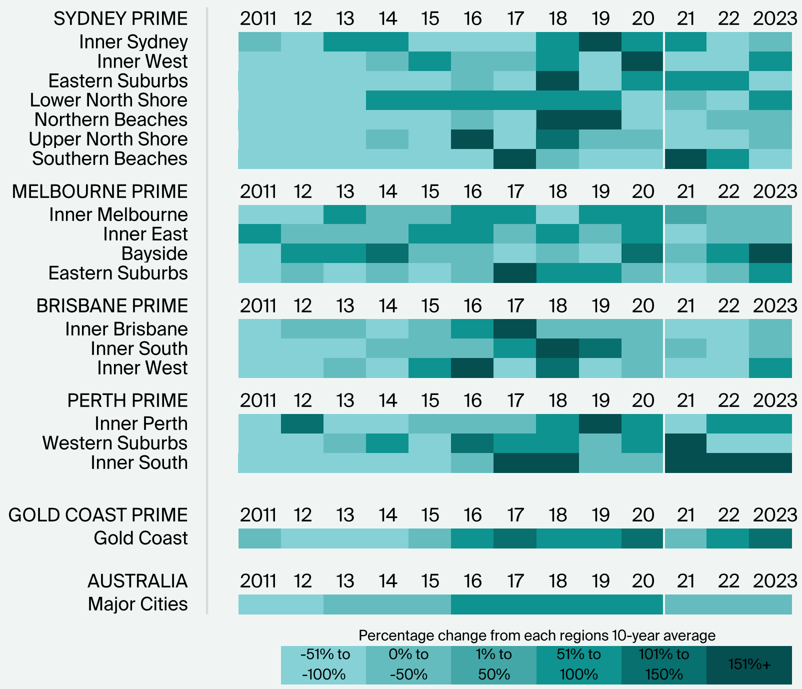
By the end of 2023, the Gold Coast and Perth are the only two cities due to exceed the 10-year average with a rise in the annual average of 62% and 56%, respectively. Following a chronic level of undersupply, vacancy has trended below 2% in both cities in recent years.

4

The share of 3-bedroom apartments in high-rise projects due by 2023 averages 26%, rising from 17% over the past three years. As a comparison, the share of 2-bedroom configured apartments will decline from 44%, to 42%.

Pipeline delivery of apartments in high-rise projects across prime regions in major cities

% change from each regions 10-year average [2011-2020], by calendar year

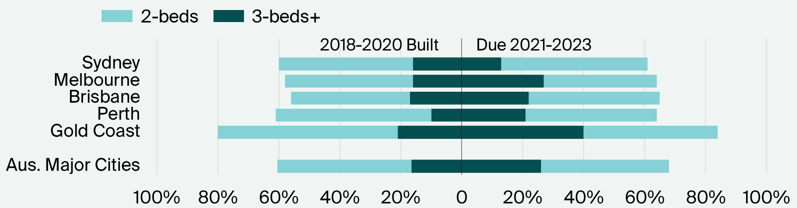


Source: Knight Frank Research

Note: Projects with 8+ storeys and 6+ apartments

Distribution of apartments across high-rise projects

% share across prime regions in major cities



Source: Knight Frank Research

CAR SPACE PREMIUM

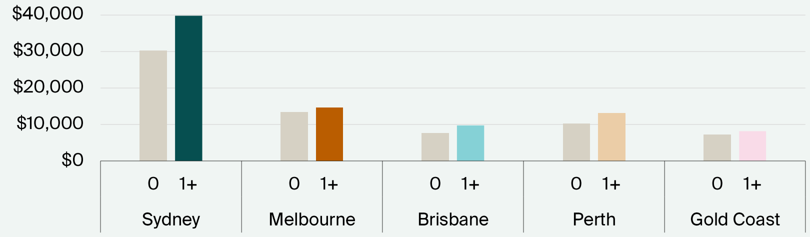
The value of dedicated off-street car spaces within your apartment building goes beyond security, privacy and convenience.

Many cite the walkability to vibrant activity hubs as one of the reasons for rightsizing, although ensuring the new luxury apartment is well-equipped with ample secure car spaces still ranks considerably high on the buyer checklist. The number of car spaces available can often be limited by the site's geological aspect, the building footprint and planning regulations.

A study of established prime luxury apartment sales across the major Australian cities since June 2011, found 56% had two dedicated car spaces per apartment, while 14% counted three and 9% were fortunate to secure four (or more) car spaces within their complex. Both Brisbane and Melbourne recorded the highest portion of prime apartments accommodating more than three car spaces, at 46%. Brisbane also saw a larger share of apartments with four (or more) car spaces with 22%.

Car space premia

Prime apartment with one or more car spaces (1+) compared to a prime apartment without a carspace (0), average internal rate $/per sqm, as at Jun-21



Source: Knight Frank Research

Car space advantage

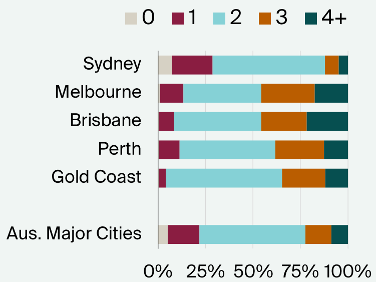
Challenged by securing a prime apartment with more than three car spaces in Sydney (being a 12% share), the city also saw the greatest premium (of 32%) between the average sales rate for a prime apartment with parking ($39,800/sqm), compared to one without car parking ($30,200/sqm) in June 2021. By contrast, Melbourne saw a difference in price of 9.2%.

The pipeline ahead

Beyond 2021, the forecast is an average of 1.1 car spaces per apartment being built across the prime regions, down from 1.3 car spaces in apartments built between 2009 and 2012. Bucking this trend, Brisbane saw a rise from an average of 1.0 car space to 1.4 car spaces over this time, as developers build more luxury, boutique, owner-occupier product.

Number of car spaces per prime apartment

% total, within prime regions, sales from Jun-11 to Jun-21



Source: Knight Frank Research

Average number of car spaces per new apartment

Apartment projects within prime regions, as at Jun-21

	Built 2009-2011	Built 2012-2014	Built 2015-2017	Built 2018-2020	Due 2021+
Sydney	1.4	1.4	1.3	1.2	1.2
Melbourne	0.8	0.9	0.8	0.8	0.6
Brisbane	1.0	0.9	1.3	1.5	1.4
Perth	2.4	2.2	1.5	1.4	1.5
Gold Coast	1.3	1.6	1.7	1.1	1.1
Aus. Major Cities	1.3	1.2	1.2	1.2	1.1

Source: Knight Frank Research

BRANDED RESIDENCES

A branded residence is an apartment within a hotel-led development with integrated or linked residences, benefitting from the brand, its management and luxury services. Are Australians willing to pay a premium for the lifestyle a hotel-led development delivers?

Branded residences are rapidly evolving in the luxury space, with in excess of 400 now operational around the world.

We've only seen a handful of branded developments move from concept to completion in Australia, despite several major international hotel chains keen to collaborate with residential developers on projects across the country.

Within the Global Buyer Survey, we had the opportunity to deep dive and test the Australian buyer appetite for the branded residence product in 2021. We found that 44% of Australian respondents would be willing to pay a premium to purchase a property in a branded residence development, ahead of the 39% global average.

Those living in Hong Kong (49%), the Philippines (48%) and Spain (45%) saw similar value in the branded residences product.

Branded residence
A hotel-led development with integrated or linked residences, benefitting from the hotel brand, its management and luxury services.

This was also higher for Chinese mainland (42%), India (41%) and Singapore (34%) respondents.

44%
Australians surveyed willing to pay a premium for a branded residence

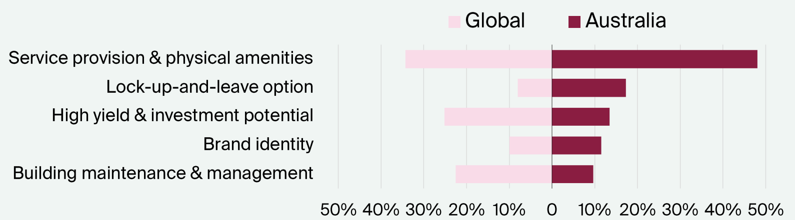
For 48% of Australian respondents, the key motivation for purchasing a property in a branded residence development would be the service provision and physical amenities available.

Perhaps the lock-up-and-leave option may have scored a higher motivator (than 17%) if international travel was possible at the time the survey was taken in mid-2021, as it will become a drawcard when travel resumes.

Although Asian respondents were attracted to the high yield and/or investment potential (at 35%), only 13% of Australians were drawn in by this factor. This is likely to pick up as this type of property concept matures in the domestic market.

For purchasers, brand identity is not yet as important (12% driving force of purchase), instead the service provision and physical amenities of the development.

Buyer Survey: Branded Residence
What would be the key motive behind your purchase?
% of respondents



Source: Knight Frank Research Global Buyer Survey 2021

FUTURE TRENDS

Five key rightsizing trends buyers should have on their radar.

01.
RESTORING INDUSTRY CONFIDENCE

New South Wales is leading the way within the Australian construction industry. Two years ago, the NSW Government passed key legislation to improve the outcomes for apartment buyers. A building commissioner was appointed who has the power to issue orders preventing developers from settling with buyers of off-the-plan apartments until the regulator is satisfied all outstanding defects are fixed. **This has proven a success in restoring the confidence of those buying new apartments, and it's envisaged other states will follow suit around the country.**

02.
SUPPLY CHAIN REACTION

Globally, the pandemic has led to bottlenecks in supply chains with raw materials for construction a key casualty. This in turn is pushing domestic development costs higher. **The concern for buyers is this is occurring at a time when the delivery of new stock and inventory levels for existing stock are already low, will likely further accelerate prices.**

03.
RISE OF BRANDED RESIDENCES

Increasingly more buyers in Australia are willing to pay a premium for their luxury apartment given the lifestyle a hotel-led development delivers. As the number of Australian ultra-wealthy individuals are expected to grow by at least 20% by 2025, so will the demand for residences with high levels of serviceability and little maintenance.

Branded residences are also considered a safe investment to lock-up-and-leave with many hosting a 24-hour concierge and butler service, attractive when regular travel is back on the agenda. As the branded residence segment is undergoing rapid growth and evolution, these factors play a big part in shaping the future of new developments.

Not only will this strengthen the development's selling point as a place of primary residence, but also will improve their potential to increase capital values and act as high-yielding investments for the long term. **When considering rightsizers, developers throughout Australia will need to look into more ways to differentiate the services and amenities they provide and a branded residence can deliver this opportunity.**

04.
LUXE LETTINGS

The growing build-to-rent sector has become diversified with varying price points, flexibility and locations. There is the opportunity to manifest more luxury apartment living product domestically. Similar to branded residences, tenants benefit from the quality of brand, smooth running of management and the luxurious services while potentially enjoying a transient lifestyle. **When developers deliver more of this luxury living in prime locations across the cities, this may further reduce the choice of rightsizing opportunities for buyers.**

05.
SUPER-PRIME PROJECTS

As Australia's prime residential market matures over the next decade, it's inevitable we'll see the further rise of super-prime apartment projects being delivered to the market. **These world-class projects will transform the skyline, where the distinction between being located at the very top of the tower, to lower floors, becomes less, with the exception of panoramic sweeping views.**

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 $3 million in Sydney and Melbourne and $2 million in Brisbane, Perth and the Gold Coast.
Super-prime sales hold a threshold of $10 million in Sydney and Melbourne, and $7 million in Brisbane, Perth and the Gold Coast.
Major residential site sales hold a threshold of $5 million in Sydney and Melbourne and $2 million in Brisbane, Perth and the Gold Coast.
High-rise covers projects with more than eight (8) storeys in height and six (6) apartments in a complex. **Mid-rise** covers projects with four (4) to seven (7) storeys in height and six (6) apartments in a complex. **Low-rise** covers projects with two (2) to three (3) storeys in height and six (6) apartments in a complex.

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.

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

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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