

Melbourne Prime Residential Insight

Q4 2023

Knight Frank's quarterly analysis of the Melbourne prime luxury residential sales and rental markets

knightfrank.com.au/research

Melbourne enters second quarter with double-digit annual rental growth

◆ Economy ramps up, lifting prime property activity.

WEALTH TRENDS

Melbourne's high-net-worth individual (HNWI) population, otherwise known as the millionaire population, grew by 6.4% in 2022, to 420,648 people with net wealth of more than US\$1 million according to the Knight Frank Wealth Sizing Model.

This population in Melbourne comprises 19.0% of the total Australian HNWI population, after being a 17.7% proportion five years ago. Since this time, Melbourne's millionaires have grown by 37.7%, slightly lower than the Australian 28% growth.

The HNW population is forecast to grow by a further 72.6% in Melbourne by the end of 2027, lower than the Australian growth of 71.1% when Melbourne is expected to hold a 19.2% share of all Australian millionaires.

The ultra-high-net-worth individual (UHNWI) population in Melbourne grew by 5.8% in 2022, to 2,685 people with net wealth of more than US\$30 million. From 2017, Melbourne's ultra-wealthy have expanded by 50.8%, ahead of the Australian growth of 31.3%, where the Melbourne share of the Australian UHNWIs has grown from 13.4% to 15.4%.

This population is forecast to grow by a further 60.2% over the next five years, faster than the Australian UHNW population growth of 40.9%.

THE ECONOMY

Victoria recorded economic growth of 4.6% in 2022, while Greater Melbourne's unemployment rate stood at 3.7% in September 2023, being 14 bps higher than the year earlier (ABS).

Oxford Economics forecast economic growth to taper to 1.8% at the end of 2023, 0.6% 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. By comparison, business conditions were +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.

5.8%

Growth in Melbourne's ultra-high-net-worth individuals in 2022

+8 pts

Business conditions index points in September 2023

8.0%

Annual growth in September 2023 of new private business investment

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%.

Melbourne Prime Established Residential

- ◆ Demand for luxury residential homes in Melbourne's prime suburbs is pushing annual rental growth to the highest since our historic series started back in September 2007.

-22%

Melbourne prime residential sales volume in September 2023 compared to a year ago

0.7%

The change in Melbourne's prime residential values in the year to September 2023

17.0%

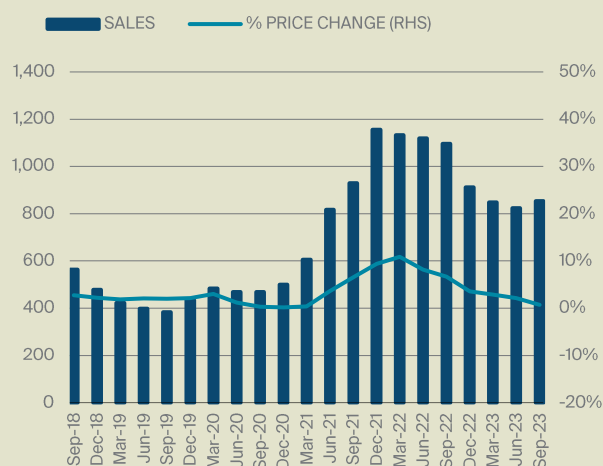
Annual prime residential rental growth in September 2023 in Melbourne

SALES & PRICE PERFORMANCE

- ◆ Sales volume trended 18% lower in the September 2023 quarter with 212 prime residential homes sold in Melbourne, while the 853 annual sales volume was 22% lower than a year ago.
- ◆ The average days on market for a luxury home was 86 days in September 2023. This was 83 days three months earlier, and 69 days one year ago.
- ◆ Prime residential property prices increased 0.7% in the year to September 2023, while falling 0.7% in the last quarter.
- ◆ Looking forward, average prime prices are forecast to rise 1% at the end of 2023, with 3% in 2024 and 5% in 2025, according to Knight Frank Research.

Melbourne Prime Residential Sales & Prices

No. annual sales & % annual price growth



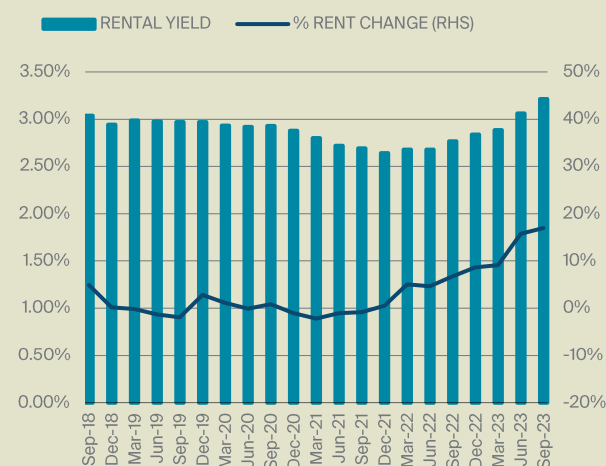
Source: Knight Frank Research

RENTAL MARKET

- ◆ Gross rental yields rose 45 bps in the year ending September 2023, as Melbourne prime residential property averaged 3.21%.
- ◆ Prime residential rents increased 4.1% in the September 2023 quarter, while increasing by 17.0% over the past year.
- ◆ Knight Frank Research forecast prime rents to rise 19% at the end of 2023, with 10% likely in 2024, and 8% in 2025.

Melbourne Prime Residential Rents & Yields

Gross rental yield & % annual rental change



Source: Knight Frank Research

Melbourne Prime Residential Forecast

Key Drivers Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Victoria Economic Growth	4.7%	4.6%	1.8%	0.6%	3.1%	1.8%
Unemployment Rate	5.1%	3.7%	3.7%	4.3%	4.3%	4.1%
Cash Rate Target	0.1%	1.2%	3.9%	4.6%	3.9%	4.1%
Stock Market	18%	-2%	2%	1%	6%	3%
Company Profits	5%	19%	0%	-4%	2%	-1%

Source: Oxford Economics

Melbourne Prime Residential Forecast

	2021	2022	2023f	2024f	2025f	Average 2023f-2025f
Price Performance	9%	4%	1%	3%	5%	3%
Rental Market	0%	9%	19%	10%	8%	12%

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.

Recent Research



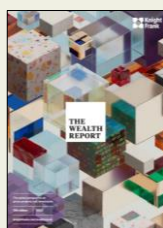
Australian Prime Residential Review



Global Branded Residences Report



The Wealth Report 2023 Wealth Population Edition



The Wealth Report 2023



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