



Wealth trends



Prime sales, price and rental performance



Prime development pipeline



Melbourne Prime Residential Review

Q1 2021

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MELBOURNE PRIME RESIDENTIAL

The Melbourne prestige market was starting to rebuild heading into 2021 with positive quarterly growth, albeit modest, noted for both prices and rentals in the last quarter of 2020. This momentum was interrupted with the recent circuit breaker lockdown, though we expect performance to return as the year advances.

Wealth trends

Australian **ultra-high-net-worth individuals** (UHNWIs) grew by 10.9% in 2020, to 3,124 people with net wealth of US\$30m+. This UHNW population is **forecast to grow** annually by 3.8% over the next five years. Melbourne had the second highest share (20%) with 629 UHNWIs.

By the end of 2020, the Australian **stock market** was in recovery mode and saw gains of 13.3% in the fourth quarter of 2020, rounding annual growth at -1.5% (S&P Dow Jones Indices). **Business conditions** strengthened, moving 12.4 percentage points above the average (NAB).

Total **new private investment** was down 3.6% at the end of 2020, but is forecast to rebound to 6.3% annual growth in 2021 (Oxford Economics). Melbourne ranked 46th place in 2021 on the Knight Frank **City Wealth Index**, based on factors such as wealth, investment and lifestyle.

Prime sales performance

Across Melbourne's prime regions, the **volume of sales** in Q4 2020 tallied at 165 prime properties (\$3m-\$10m). This was 101% higher than Q3 2020, and up 15% in the year ending December 2020.

The number of Melbourne super-prime (\$10m+) sales also trended higher, up

by 100% in Q4 2020 recording 6 sales, with total growth of 27% over the past year.

The **average days on market** for a prime property in Melbourne was 93 days in Q4 2020. This was 85 days one quarter ago.

Prime price performance

Globally, Melbourne ranked 29th from 45 cities for annual price growth.

Capital growth for prime property rose 0.2% over the past year to December 2020, up 1.3% in the last quarter. Knight Frank Research forecast Melbourne prime prices to further increase by a minimum of 1% by the end of 2021.

At the end of December 2020, those buying with the euro were ranked most advantaged for major **currencies** when buying Melbourne prime property. In terms of **relative value** at this time, one could buy 87 sqm of internal luxury floorspace in Melbourne for US\$1 million, compared to 45 sqm in Sydney or 23 sqm in Hong Kong SAR.

Prime rental performance

Gross rental yields for Melbourne prime property trended down 5 bps to 2.88% in Q4 2020. A year ago, this yield was recorded at 2.97%. In Q4 2020, **rental growth** rose 0.3% for prime properties in Melbourne. Over the past

year, rental growth decreased by 1.0%.

New prime development pipeline

A total of 13,875 medium- and high-density **new apartments and townhouses** were completed in Melbourne's prime regions in 2020. This was 63% above the number built in 2019 and above the 3-year average of 9,625 new apartments and townhouses.

Compared to 2020, there are 46% less apartments and townhouses forecast to be completed in 2021, with 7,450 currently under construction.

In 2021, the greatest distribution of new apartments and townhouses will be in found in Inner Melbourne (4,675) and the Eastern Suburbs (1,100). This is followed by Bayside (1,000) and Inner East (675).

Collectively across the Melbourne prime regions 3-year pipeline, the **distribution of bedrooms** have been weighted towards 2-bed configured apartments with 36% of the total share, followed by studio & 1-bed (32%) then 3-bed+ (33%).

Melbourne **new prime apartment prices** have increased 5.9% in 2020 to an indicative \$18,000/sqm; to range between an average of \$15,000/sqm and \$27,000/sqm.

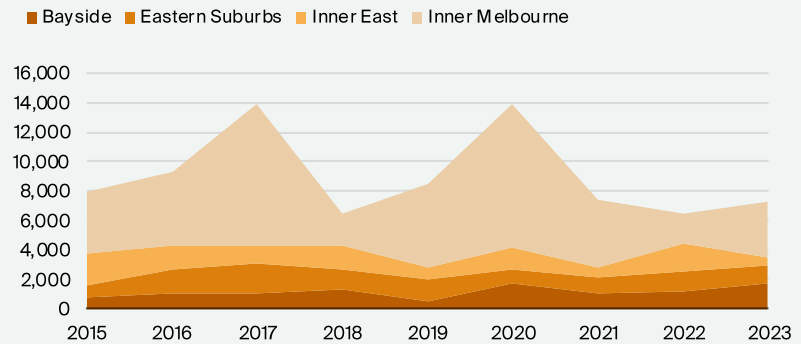
**MELBOURNE
PRIME RESIDENTIAL**
31 December 2020

Capital Growth - Annual	0.2%
Sales Volume - Annual	436
Sales Turnover - Annual	15%
Ave. Days on Market	93
Gross Rental Yield	2.88%
Rental Growth - Annual	-1.0%

Source: Knight Frank Research

Melbourne prime pipeline

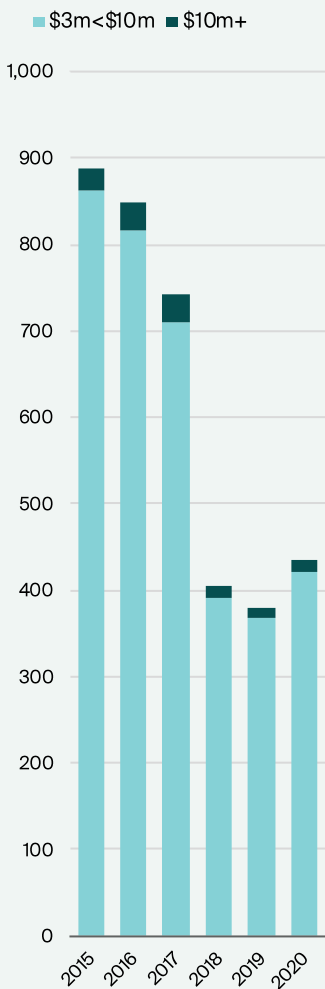
Number of new medium- and high-density apartments in prime regions



Source: Knight Frank Research

Melbourne prime sales

Number of sales, prime regions



Source: Knight Frank Research

93

Average days on market for prime residential properties in Melbourne in Q4 2020

27%

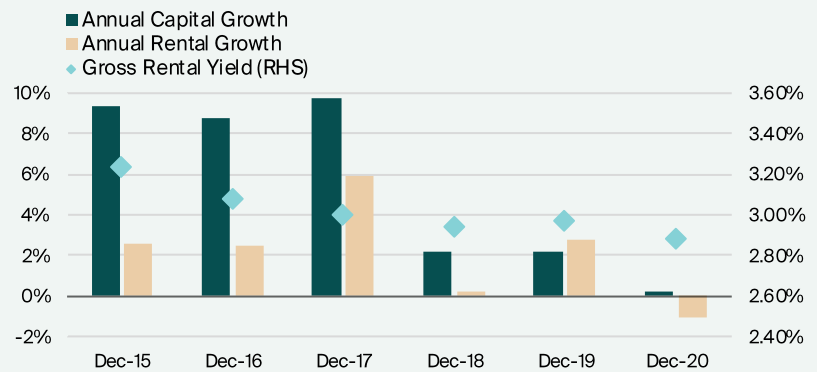
Increase in Melbourne's super-prime properties sold over the past year

“Inner Melbourne comprises 63% of all new medium- and high-density new supply across prime regions in 2021”

0.3%

Growth in Melbourne prime rents between Q4 2019 and Q4 2020

Melbourne prime residential price and rental performance



Source: Knight Frank Research

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 AU\$3 million in Melbourne prime regions.

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

Prime regions cover postcodes in 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.

Currency reference to dollars or \$ refers to 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.



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