



Wealth trends



Prime sales, price and rental performance



Prime development pipeline



Melbourne Prime Residential Review

Q2 2021

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MELBOURNE PRIME RESIDENTIAL

Despite temporary disruptions to the Victorian economy over the past year, the prime luxury residential market saw 20 percent more transactions take place and double the number of super-prime sales. Will this spur on prime price growth by the year's end?

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.

Australia's **stock market** has continued a stellar run and saw gains of 3.1% in the first quarter of 2021, taking annual growth to 33.8% (S&P Dow Jones Indices). **Business conditions** strengthened, moving 23.3 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 12.3% 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 Q1 2021 tallied at 179 prime properties (\$3m-\$10m). This was 8% higher than Q4 2020, and up 21% in the year ending March 2021.

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

by 100% in Q1 2021 to record 12 sales, with total growth of 140% over the past year.

The **average days on market** for a prime property in Melbourne was 97 days in Q1 2021. This was 93 days one quarter ago.

Prime price performance

Globally, Melbourne ranked 27th from 46 cities for annual price growth.

Capital growth for prime property rose 0.4% over the past year to March 2021, up 0.7% in the last quarter. Knight Frank Research forecast Melbourne prime prices to increase by a minimum of 1% by the end of 2021.

Over the year ending March 2021, those buying with the Indonesian Rupiah (at an additional 10%) 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 8 bps to 2.80% in Q1 2021. A year ago, this yield was recorded at 2.93%. In Q1 2021, **rental growth** fell by 1.7% for prime properties in Melbourne.

Over the past year, rental growth decreased by 2.2%.

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** being built 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 remained steady in 2020 at an indicative \$23,750/sqm; to range between an average of \$19,000/sqm and \$29,500/sqm.

**MELBOURNE
PRIME RESIDENTIAL**
31 March 2021

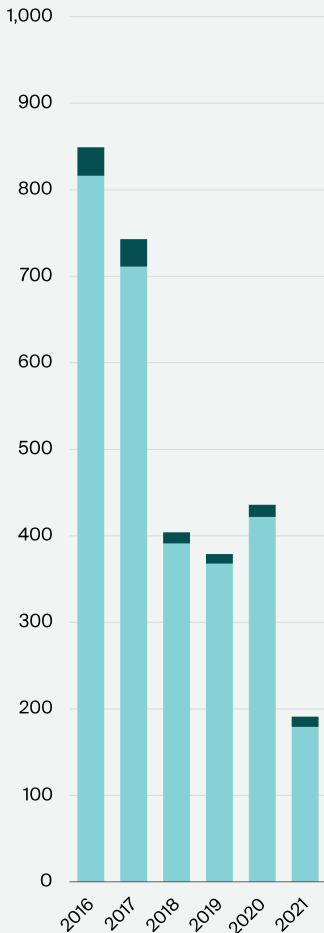
Capital Growth - Annual	0.4%
Sales Volume - Annual	525
Sales Turnover - Annual	24%
Ave. Days on Market	97
Gross Rental Yield	2.80%
Rental Growth - Annual	-2.2%

Source: Knight Frank Research

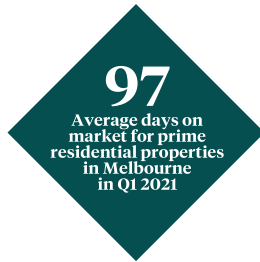
Melbourne prime sales

Number of sales, prime regions
At end of Q1 2021

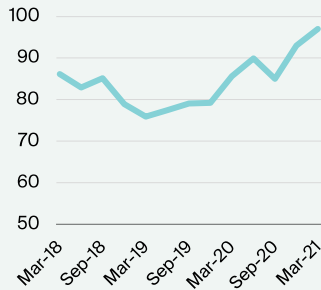
■ \$3m<\$10m ■ \$10m+



Source: Knight Frank Research



Melbourne prime residential average days on market



Source: Knight Frank Research



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

“There are 46% less new medium- and high-density completions due in 2021 across Melbourne’s prime regions compared to 2020”



**CITY WEALTH INDEX 2021
MELBOURNE**

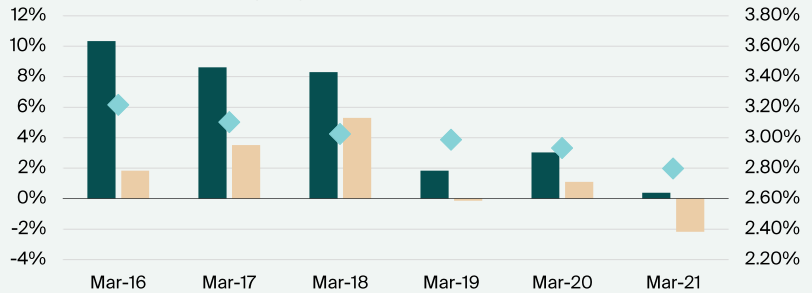
100 global cities ranked

CATEGORY	RANKING
WEALTH	59
INVESTMENT	33
LIFESTYLE	51
OVERALL	46

Source: Knight Frank Research

Melbourne prime residential price and rental performance

■ Annual Capital Growth
■ Annual Rental Growth
◆ Gross Rental Yield (RHS)



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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