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# Melbourne Prime Residential Review

Q3 2020

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# MELBOURNE PRIME RESIDENTIAL

*Melbourne's ultra-wealthy population have had an extended period to reflect on their lifestyles during lockdown with the demands on the home expanding, the way they live and use their space. How has the local prime property market performed this past quarter?*

Heading into 2020, confidence had started to return to Melbourne prime property, spurred on by lower interest rates, rising wealth and prominent prime projects being built. COVID-19 has since redirected the buyers' minds on their priorities and lifestyle.

To better understand how attitudes have changed as a result of the pandemic, a [Knight Frank Global Buyer Survey](#) was conducted in June 2020. One in four surveyed, said they were more likely to move home in the next 12 months as a result of the pandemic. Upgrading the family's primary residence was the main reason and after a period of confinement, the message, not surprisingly, is that buyers want more space.

## Wealth trends

At the end of 2019, Australian **ultra-high-net-worth individuals** were expected to grow by 5.2% per annum, by the end of 2024.

According to the Knight Frank **City Wealth Index** for 2020 based on wealth, investment and lifestyle, Melbourne ranked 40th, from 100 global cities.

## Prime sales performance

Across Melbourne's prime regions, the **volume of sales** in the second quarter of 2020 tallied to 77 prime properties.

This was 25% below the first quarter volume, however annually, up 21% over the past year.

The **average days on market** for a prime property in Melbourne was 90 days in the June 2020 quarter. This was 86 days one quarter ago.

## Prime price performance

**Capital growth** for prime property rose 1.2% over the past year to June 2020, although fell by 1.0% in the last quarter. Globally, Melbourne ranked 24th from 45 cities for annual price growth.

At the end of June 2020, those buying with the New Taiwan Dollar were ranked most advantaged for a **currency** play when buying Melbourne prime property, with a 6% discount.

In terms of **relative value** at this time, one could buy 98 sqm of internal luxury floorspace in Melbourne for US\$1 million, compared to 51 sqm in Sydney or 22 sqm in Hong Kong.

## Prime rental performance

**Gross rental yields** for Melbourne prime property trended down 1 bps to 2.92% over the June 2020 quarter. A year ago this yield was also recorded at 2.97%. Over the quarter ending June 2020, **rental growth** fell by 1.2% for

prime property in Melbourne. Over the past year, rental growth decreased by 0.1%.

## New prime development pipeline

In mid-2020, there had been 50,655 medium- and high-density **new apartments and townhouses** completed in Melbourne's prime regions since 2015. There are 41,075 more forecast by the end of 2024 in the pipeline; currently under construction or being marketed with DA approval.

In this pipeline, the **distribution of bedrooms** have been weighted towards 2-bed configured apartments with 44% of the total share, followed by studio & 1-bed (35%) then 3-bed+ (21%).

Melbourne **new prime apartment prices** have increased 25.9% since 2015 to an indicative \$17,000/sqm at the end of the first half of 2020; to range between an average of \$15,000/sqm and \$25,000/sqm.

## Outlook

As the second wave of lockdown is extended, it's likely the Melbourne prime property market will lag other cities in recovery in late 2021. Although lowered over the next five years, the market may be further hindered by a solid pipeline of new supply across the prime regions and heavy reliance on a weakened population growth.

### City Wealth Index 2020 Melbourne

100 global cities ranked

CATEGORY	RANKING
WEALTH	41
INVESTMENT	29
LIFESTYLE	58
<b>OVERALL</b>	<b>40</b>

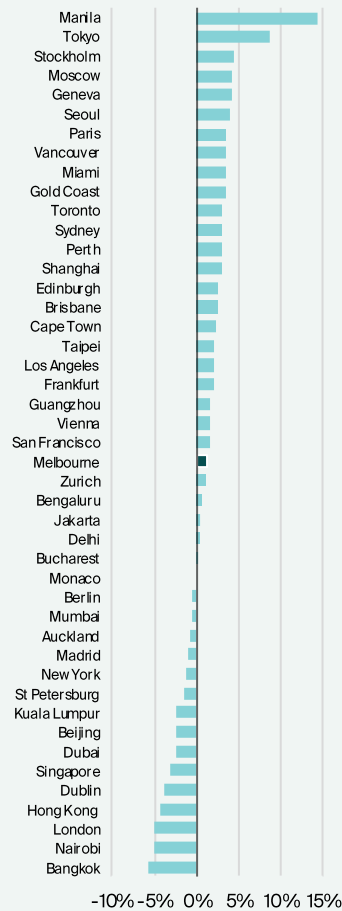
Source: Knight Frank Research



**21%**  
Increase in the number of Melbourne prime properties sold over the past year

### Prime property price performance

% annual capital growth, as at 30 June 2020



Source: Knight Frank Research



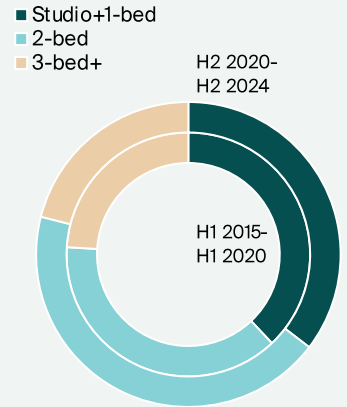
**90**  
Average days on market for prime residential properties in Melbourne in Q2 2020

“There was a 6% discount for Melbourne prime property when purchased with New Taiwanese Dollar in Q2 2020”



### Distribution of bedrooms in new apartments

% portion, Melbourne prime regions



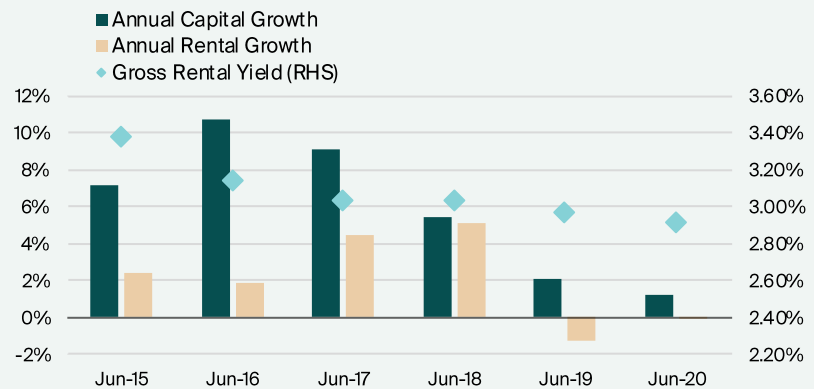
Source: Knight Frank Research



**-0.1%**  
Growth in Melbourne prime rents between Q2 2019 and Q2 2020

“In prime regions of Melbourne, there are 19% less new apartments and townhouses forecast to be built over the next five years”

### 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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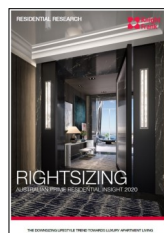
Prime Global Cities Index Q2 2020



Global Buyer Survey 2020



Australian Prime Residential Review 2020



Rightsizing 2020



Australian Prime Waterfront Index 2020



The Wealth Report 2020

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