

RESIDENTIAL RESEARCH



AUSTRALIAN PRIME RESIDENTIAL REVIEW

2019

WEALTH TRENDS

PRIME PROPERTY

OUTLOOK

KEY FINDINGS

Australian millionaires (with net assets of US\$1m+) grew by 3% to 329,600 in 2018. The **ultra-wealthy** population (with net assets of US\$30m+) increased by 4% in 2018 to 3,062 individuals, while there were 43 **billionaires** living in Australia (net assets of US\$1b+), up 30% in 2018.

Prime residential prices over the year ending June 2019, rose by 2.5% in Sydney, followed by Brisbane (2.2%), Melbourne (2.1%), Gold Coast (1.1%) and Perth (0.6%).

Across Australia in Q2 2019, **US\$1 million could buy** 51 sqm of prime (luxury) residential internal floor area in Sydney. In other cities; Melbourne (97 sqm), Perth (118 sqm), Brisbane (125 sqm) and Gold Coast (137 sqm).

Sydney had the strongest prime property performance amongst the top 8 global cities ranked on The Knight Frank City Wealth Index 2019.

New prime luxury apartments were sold off-the-plan in Sydney for an indicative \$45,000/sqm in Q2 2019, followed by Melbourne and Gold Coast at \$16,000/sqm with Brisbane and Perth at \$14,000/sqm.



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AUSTRALIAN PRIME RESIDENTIAL MARKET

While the mainstream market endured subdued price growth, the Sydney prime market was the strongest in Australia and across the eight wealthiest global cities.

Wealth Trends

Private wealth continues to shape property markets. Although faced with a clouded economic outlook over the coming years, wealth creation will remain a constant in 2019. Globally, ultra-high-net-worth individuals (UHNWIs) are projected to rise by 22% over the next five years—this is equivalent to an additional 43,000 people worth more than US\$30 million by 2023—according to GlobalData Wealth Insight published in Knight Frank's [The Wealth Report 2019](#).

Eight of the top ten countries with the fastest growing UHNWI populations are located in Asia. India will lead five-year growth with 39%, followed by the Philippines (38%) and China (35%). Asia's strong economic performance has also stimulated the number of US\$ millionaires around the world—projected to exceed a population of 20 million for the first time by the end of 2019.

As wealth increases, governments will settle into two camps. The group first will try to attract more of it (countries such as Italy, Moldova, Montenegro) and conversely, the second will seek to push it away (Singapore, Australia, New Zealand, Canada, the UK). Other countries will make wealthy non-residents jump through ever larger hoops to access their property markets. Hoops or not, the wealthy will continue to demand access to global markets, especially as emerging economies see growth rates slow and the search for diversification grows.

A record 26% of global UHNWIs will begin to plan for emigration this year with preferred countries being the US, the UK, Canada and Australia. Further analysing results derived from [The Attitudes Survey 2019](#), of those intending to emigrate from Asia, 48% of UHNWIs saw Australia as their top country of choice.

Locally, GlobalData WealthInsight has estimated and projected wealth distribution data for millionaires, the ultra-wealthy population and billionaires to a city level.

Millionaire Population (HNWIs)

The millionaire population across Australia grew by 9% over the past five years, to stand at 329,600 in 2018. This came off-the-back of a resilient stock market and strong long-term property price growth. Australia's millionaire population is projected to exceed 389,300 by 2023, rising by 18%—or 60,000 more people with a net worth of over US\$1 million excluding their primary residence.

Ultra-Wealthy Population (UHNWIs)

Australia's ultra-wealthy population grew faster than the pace of millionaires, up by 12% between 2013 and 2018, to count a total of 3,062 UHNWIs. The growth projection of this ultra-wealthy group is also higher, at 20% over the next five years to 2023. At this time, Sydney is likely to have surpassed 1,000 ultra-wealthy individuals living in the city, holding the largest share across Australia's four largest cities, with 44.7%.

Billionaire Population (HNWIs)

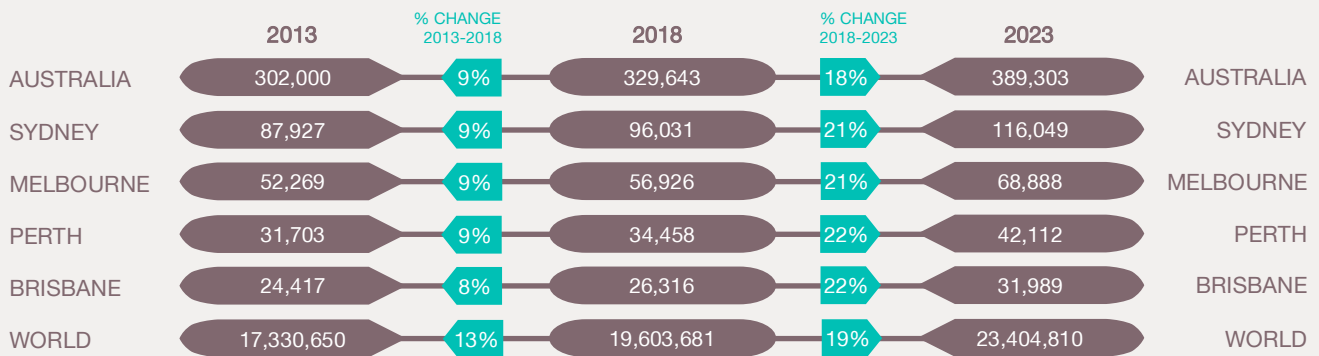
The Australian billionaire population in 2018 comprised 43 individuals. This was 95% higher than recorded in 2013, and over the next five years, this population is projected to grow by a further 14%. Over this time, of the four major Australian capital cities, Sydney is likely to experience the strongest growth in billionaires, at 21%, and retain the highest share of billionaire distribution.

WEALTH DISTRIBUTION

GlobalData WealthInsight provides the distribution of global high-net-worth wealth.

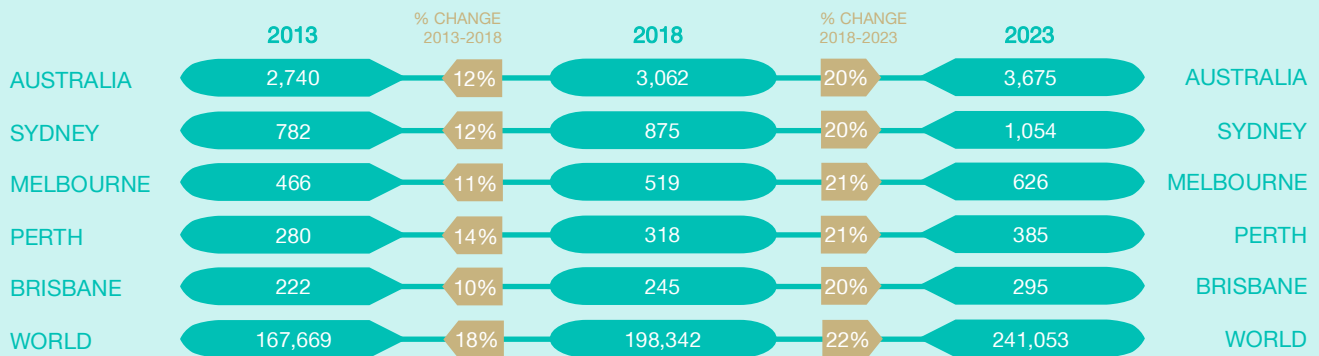
MILLIONAIRES

A high-net-worth individual (HNWI)—someone with a net worth of over US\$1 million excluding their primary residence.



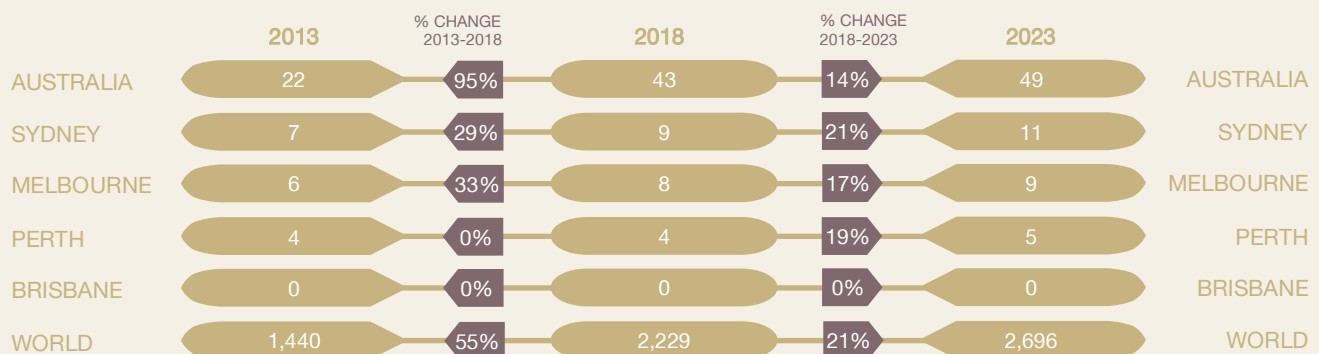
ULTRA-WEALTHY

An ultra-high-net-worth individual (UHNWI)—someone with a net worth of over US\$30 million excluding their primary residence.



BILLIONAIRES

Someone with a net worth of over US\$1 billion excluding their primary residence.



Source: Knight Frank Research, GlobalData WealthInsight

THE ATTITUDES SURVEY 2019: AUSTRALIAN ULTRA-WEALTHY INVESTING, SPENDING & GIVING TRENDS

The unique survey identifies the hopes, fears, aspirations and investment plans of ultra-high-net-worth individuals in Australia.

1



WEALTH CREATION

- 93% of UHNWIs reported their wealth increased in 2018 while 76% of UHNWIs expect further increases by the end of 2019.
- 59% felt the local political and economic environment made it more difficult to create and protect wealth in 2018; this increased to 74% for 2019.
- 52% of respondents state the global economy and politics in 2018 impacted their wealth and this rose to 76% projected for 2019.

2



INVESTMENT TRENDS

- 40% of Australian UHNWIs have become more risk adverse in 2018.
- 82% believe the government and central banks are more prepared for a financial crisis compared to ten years ago.
- The three largest asset classes of an UHNWI investment portfolio tend to be equities (an allocation of 36%), property owned as an investment (23%) and cash (18%).

3



UHNWI MOBILITY

- 36% of the global UHNWI population hold a second passport or dual nationality.
- Only 5% of Australian UHNWIs are considering emigrating permanently to another country and if they move, its likely to be to the US, the UK or Singapore.
- Globally, UHNWIs considering emigration, Australia ranked the 4th most popular country to move to, behind the US, the UK and Canada.

4



RESIDENTIAL PROPERTY

- 35% of the total wealth of Australian UHNWIs is allocated to the properties they live in (as first and second homes); owning an average of 3 residential homes.
- By the end of 2019, 16% of UHNWIs are likely to have purchased another second, or third, home in Australia. While only 4% are planning another purchase overseas.
- 45% of Asian UHNWIs list Australia as preferred first choice when planning to buy internationally, ahead of the UK (33%) and Canada (32%).

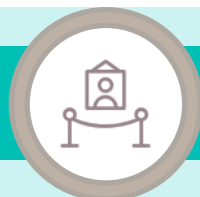
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PROPERTY INVESTMENTS

- One in four of Australian UHNWIs invested in property locally (excluding first and second homes) in 2018; with a similar appetite expected in 2019.
- 68% of Australian UHNWIs have property investments in Australia and 18% overseas.
- Global UHNWIs considering residential investment, Australia ranked the 4th choice, behind the US, the UK and Spain. For Asian investors, Australia is their first choice.

6



PHILANTHROPY, INVESTMENTS OF PASSION & EDUCATION

- Philanthropic activities increased in 2018 for 68% of Australian UHNWIs.
- 29% of Australian UHNWIs collect investments of passion, the most common being Art, Cars, Wine, Watches and Jewellery.
- The children of Australian UHNWIs attending school overseas is likely to rise from 9% in 2018, to 14% over the next few years. For university, it's likely to increase from 18% in 2018, to 36% over the same time.

Established Prime Residential Property

Knight Frank considers prime property to be the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

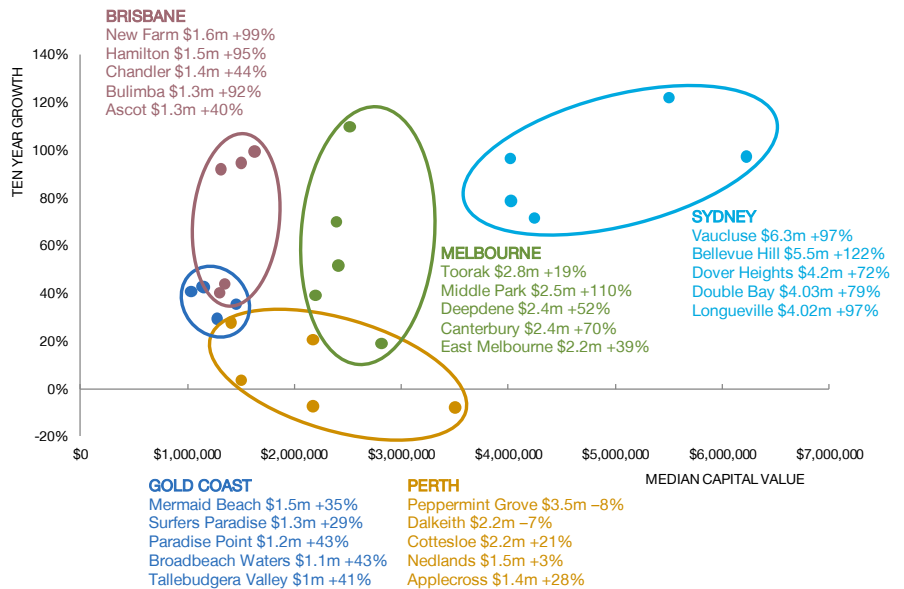
Price Performance

For the past five years, the Australian Prudential Regulation Authority (APRA) has steadily encouraged stricter lending to cool, at times, a significantly heated residential market across most Australian cities. This has now taken effect across the mainstream market, with the worst of the correction now endured.

All five cities monitored for prime price performance, have also experienced a slowdown over this period, although with less reliance on funding, have still been able to record positive annual growth for the past two consecutive years (figure 1).

When the prime market in Perth is taken out of this mix, all four remaining cities have withstood five consecutive years, or more, of positive prime annual growth.

FIGURE 2
Top 5 Suburbs with the Highest Median Value & Past Ten Year Growth Performance, Q2 2019
 Median Capital Value (x-axis) & Ten Year Capital Value Growth Jun-09 to Jun-19 (y-axis)



Source: Knight Frank Research, APM

In the year ending June 2019, Sydney recorded the strongest prime annual growth with 2.5%, rising slightly from 2.4% the previous quarter. Brisbane followed with 2.2% annual growth,

Melbourne with 2.1%, Gold Coast with 1.1% and Perth with 0.6% growth.

Sales Performance

Collectively, across the major cities of Australia, the number of prime sales trended down 23.4% in the year ending June 2019.

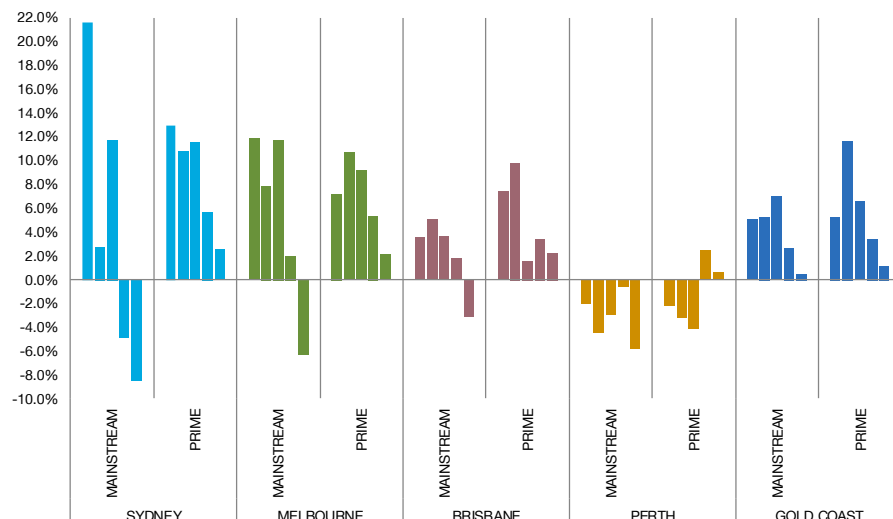
This lack of momentum is being reflected in relaxed prime prices, to a more healthy and sustainable pace of growth. The fall in sales volume over this time ranged from the Gold Coast (down 3%), Brisbane (down 5%) to Perth (down 24%), Sydney (down 26%) and Melbourne (down 31%).

There has been the return of a longer 'normalised' sales campaign in Sydney and Melbourne, averted through the peak conditions from 2015 to 2017. In saying this, in some pockets, the decrease in sales turnover has been more attributed to a lack of stock being made available, creating limited listings at the top end of the market.

This has continued to underpin median values in prime suburbs across Australia. The top five suburbs of each city have been listed in figure 2.

FIGURE 1
Mainstream v Prime Annual Capital Growth

Annual price growth displayed from Jun-15 to Jun-19 for each sector, within each city

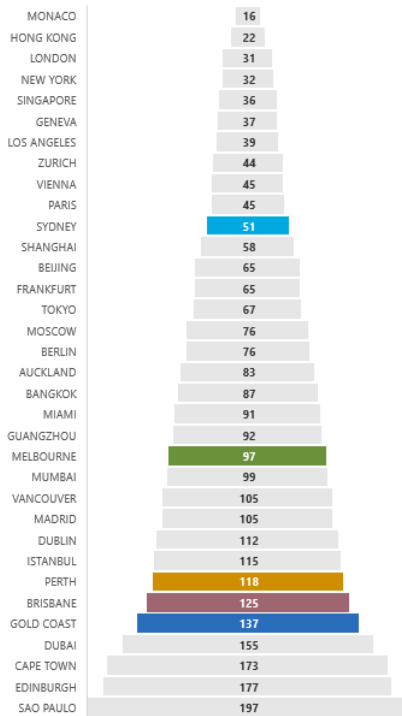


Source: Knight Frank Research, APM

Prime defined as the top 5% of each market, by value.

FIGURE 3
Prime Relative Values, Q2 2019

The amount of internal square metres one could buy with US\$1m around the world. All data as at 30-Jun-19 incl. exchange rate



Source: Knight Frank Research, Douglas Elliman, Ken Corporation

Relative Prime Values

The value proposition for prime luxury property still remains in place for the five major cities in Australia, when compared to other cities around the world. To show this comparison, key global cities have been ranked in order of the amount of internal square metres one could buy with US\$1 million in figure 3.

Monaco remains the most expensive city in the world for prime property, equating to 16 sqm purchasable with US\$1 million. Hong Kong is second most expensive with 22 sqm and third is London with 31 sqm.

Sydney ranks 11th on the pagoda chart, with US\$1 million equivalent to 51 sqm of prime internal floor space. Close to double this space can be purchased in Melbourne (97 sqm) and Perth (118 sqm). Brisbane follows with 125 sqm and Gold Coast with a substantial sized 137 sqm.

New Prime Apartments

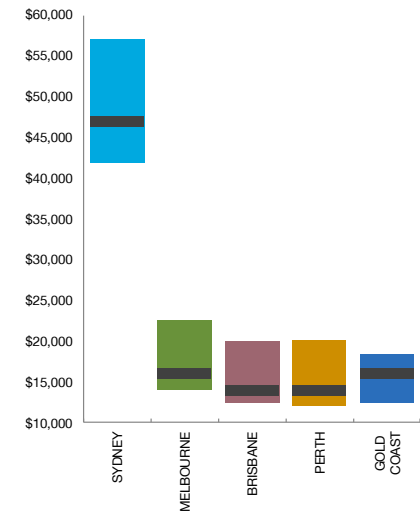
Foreign investor rules now limit offshore buyers to new or off-the-plan properties, unless relevant visas can be obtained to purchase an established home. As result, currently there is only a select number of prestige off-the-plan projects available to offshore buyers, especially in Sydney. This has continued to keep new luxury apartment prices elevated, as there is increasingly more competition from the growing, local, wealthy population including the downsizing generation.

Price Performance

By nature, new prime luxury apartments command larger floor areas when compared to mainstream stock being built. Across the cities, Sydney continues to hold the strongest average sales rates for new prime luxury apartments, ranging from \$42,000/sqm to \$57,000/sqm. This excludes the rates achieved for the emerging, super-prime and ultra-prime sub-sectors. Melbourne achieves the next highest upper-end range (\$22,500/sqm) with Perth recording the lowest entry rate for prime stock (\$12,000/sqm) with all cities charted in figure 4.

FIGURE 4
New Prime Luxury Apartment Average Sales Rates

Rate/sqm range for prime (luxury) internal floor area and the indicative rate for each city



Source: Knight Frank Research

Currency Shift

Although Australian prime property has grown in value over the past year, when comparing the five cities against other global cities, there still remains relative value opportunities for those buying with foreign currency, as shown in figure 5.

FIGURE 5
Relative change in prime prices allowing for property prices and currency movements

Q2 2018 to Q2 2019

CURRENCY OF BUYER		LOCATION OF PROPERTY PURCHASE				
		Sydney	Melbourne	Brisbane	Perth	Gold Coast
Australian Dollar	AUD	3%	2%	2%	1%	1%
Euro	EUR	0%	-1%	-1%	-2%	-2%
Indonesian Rupiah	IDR	-4%	-5%	-5%	-6%	-6%
Pound Sterling	GBP	1%	0%	0%	-1%	-1%
Hong Kong Dollar	HKD	-3%	-4%	-3%	-5%	-5%
Malaysian Ringgit	MYR	0%	-1%	-1%	-2%	-2%
Renminbi	RMB	1%	1%	1%	-1%	0%
Singapore Dollar	SGD	-3%	-4%	-4%	-5%	-5%
New Taiwan Dollar	TWD	-1%	-1%	-1%	-3%	-2%
US Dollar	USD	-3%	-3%	-3%	-5%	-4%

The table above shows relative change in prime prices allowing for property price and currency movements. The currency and price data is to Q2 2019, unless otherwise stated. From the perspective of an international investor currently look to purchase, a negative figure means purchasing prime property is cheaper compared to a year ago. For example an Indonesian buyer, denominated in Indonesian Rupiah, buying in Sydney would find it 4% cheaper in Q2 2019 compared to Q2 2018.

Source: Knight Frank Research

PEAK PERFORMER

Sydney's prime property price growth has emerged as a standout against other wealthy global cities.

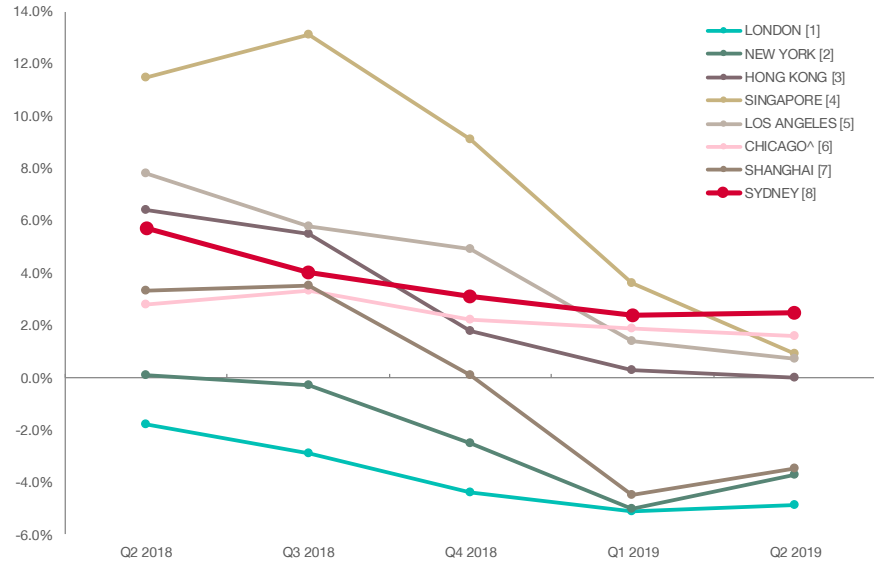
Across the 20 global cities identified in The Knight Frank City Wealth Index 2019, based on wealth, investment and lifestyle, Sydney ranked in overall 8th place. When prime price performance was benchmarked over the past year to Q2 2019, Sydney (2.5%) was the strongest performer amongst the top 8 cities ranked on the City Wealth Index.

Over the past year, the slower prime price growth sweeping across the global cities is attributed to the mounting economic headwinds, and it's expected to continue until the end of 2019 before strengthening in 2020. In saying this, in Q2 2019, an uptick was recorded in annual growth for Sydney, London, New York and Shanghai.

FIGURE 6

Prime Price Performance of the Top 8 Global Cities on The Knight Frank City Wealth Index over the past year

Annual capital growth, Q2 2018 to Q2 2019



^Chicago is based on mainstream data and for Q2 2019 is only available to May-19.

Source: Knight Frank Research, Toronto Real Estate Board, StreetEasy, S&P CoreLogic Case-Shiller.

OUTLOOK 2020

Sydney

- Projected average annual growth of 3.9% in the Sydney millionaire population to 116,000 individuals, estimated to be 104,200 in 2020.
- Ultra-wealthy population projected at 3.8% annually to 1,054 in 2023; being close to 950 in 2020.
- Prime residential annual price forecast remains circa 2% by the end 2019, with a likelihood this could lift to 3% in 2020.
- New supply pipeline of prime residential is currently limited, with some schemes delayed or converted to another use.

Melbourne

- Millionaires are projected to rise by 3.9% per annum to 68,900, by 2023. In 2020, there are estimated to be 61,800 millionaires living in Melbourne.
- Annual growth of 3.8% is projected for the ultra-wealthy population to total 626 individuals, with 562 estimated in 2020.
- Melbourne prime residential values are forecast to grow by 1% over the course of 2019, similarly forecast for 2020.

- Melbourne has experienced a number of prime luxury projects entering the market increasing competition at the top-end of the market, although so far, population growth has been supportive.

Brisbane

- Brisbane millionaires are projected to increase by 4.0% per annum to total 32,000 in 2023; estimated at 28,650 in 2020.
- The ultra-wealthy population is slightly lower at 3.8% annually to 2023. At this time there are expected to be 295 ultra-high-net-worth individuals, rising from 265 in 2020.
- Brisbane prime prices have been forecast at 3% in 2019. This is likely to trend lower, to 1.5% in 2020, given alternate east coast cities are more attainable.
- Most of the excess new apartments in Brisbane have been built for investors, although more owner occupier stock is in the pipeline—though only a slim portion of truly prime quality projects.

Perth

- Growth in the Perth-based millionaire population is the highest in Australia, at 4.1% per annum to 2023, to 42,100 individuals, and 37,600 in 2020.
- Similarly, Perth has the highest growth projection of ultra-wealthy individuals set annually at 3.9% to 385 in 2023 and estimated at 345 in 2020.
- The annual forecast for Perth prime residential prices is 2% for 2019. With current market conditions, the resources sector ramping up, and only a handful of prestige projects in the pipeline, the 2020 outlook is likely to experience a similar performance.

Gold Coast

- Prime residential price growth has been forecast at 2% by the end 2019, with a likelihood this could be sustained for another year in 2020.
- Prime quality new apartments remains limited despite a growing downsizer population seeking this stock.

Definitions

Prime (Luxury) 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 sales reported hold a threshold of AU\$3 million in Sydney and Melbourne, with all other cities captured above AU\$2million.

Super-prime sales reported hold a threshold of AU\$10 million in Sydney and Melbourne, with all other cities captured above AU\$7 million.

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

High-net-worth individual (HNWI) is someone with a net worth of over US\$1 million excluding their primary residence. Otherwise known as a millionaire.

Billionaire is someone with a net worth of over US\$1 billion excluding their primary residence.

The Wealth Report Attitudes Survey 2019 looks at the most important factors for ultra-high-net-worth individuals, canvassing the responses of over 600 of the world's leading private bankers and wealth advisors who between them manage over US\$3 trillion of wealth for UHNWI clients.

City Wealth Index 2019 was published for the Top 20 global cities.

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

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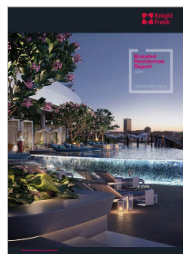
The Wealth Report 2019



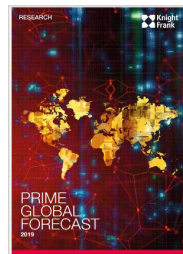
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