

**RESIDENTIAL RESEARCH**



# DESTINATION MELBOURNE

RESIDENTIAL INSIGHT Q2 2017

LIVING IN MELBOURNE

SCHOOLS & UNIVERSITIES

INVESTING IN PROPERTY

## KEY FACTS

**Melbourne is the state capital of Victoria** located on the East Coast of Australia and covers a geographic area of 9,900 km<sup>2</sup>.

Greater Melbourne is Australia's second largest city for **population** with 4.6 million people.

Famed for ever-changing **weather**, Melbourne experiences cooler winters (mean minimum temperature of 6°C) than most other Australian capital cities, coupled with dry and hot summers (mean maximum 26°C).

In Melbourne, the most daily **sunshine** is 11 hours in the month of January.

Melbourne is home to some of the biggest and best **sporting and cultural events** in the world, paving the way when hosting both local and international events.

From Melbourne, average **flying travel time** is approximately seven (7) hours to Jakarta, eight (8) hours to Singapore and Kuala Lumpur, nine (9) hours to Hong Kong, 10 hours to Shanghai and 13 hours to Beijing.

Melbourne operates under the Australian Eastern Standard Time (AEST) **time zone** from early April to early October each year and Australian Eastern Daylight Time (AEDT) at other times of the year.

# LIVING IN MELBOURNE

## Population

Melbourne is Australia's second largest city, with approximately 4.6 million residents estimated living in the Greater Melbourne region in 2016. The city follows Sydney at 5.0 million but ahead of Brisbane with 2.3 million residents.

Population has been steadily increasing in Greater Melbourne off the back of strong interstate migration. Over the year to 30 June 2016, an increase in the estimated resident population was recorded at 2.5%. This is well ahead of the overall Australian population growth of 1.4% according to the Australian Bureau of Statistics (ABS).

The Greater Melbourne population is projected by the ABS to grow by 43.5%, from 4.2 million persons in 2011 to 6.0 million 2031 as shown in Figure 1.

## Age Distribution

Residents are primarily young to middle aged—with 38.0% of Melbourne's population aged between 20 and 44 years old compared to the national 34.9% average for this age group.

## Multiculturalism

Melbourne is a true multicultural city, with 36.7% of residents being born outside of Australia.

The most prominent countries include England (3.4%), India (2.7%), China (2.3%), Italy (1.7%) and New Zealand (1.7%). In addition, approximately 45.9% of Melbourne's residents' parents were born overseas—compared to the national average of 34.3%.

The wide diversity ensures the reputation as Australia's 'cultural' city—with a plethora of international foods and communities established.

## Housing

Melbourne's dwelling structure is more weighted to apartments than the national trend. Approximately 15.3% of private dwellings are flats, units or apartments—compared to the national average of 13.6%; whilst approximately 72.6% are separate detached houses—compared to the national trend of 75.6%.

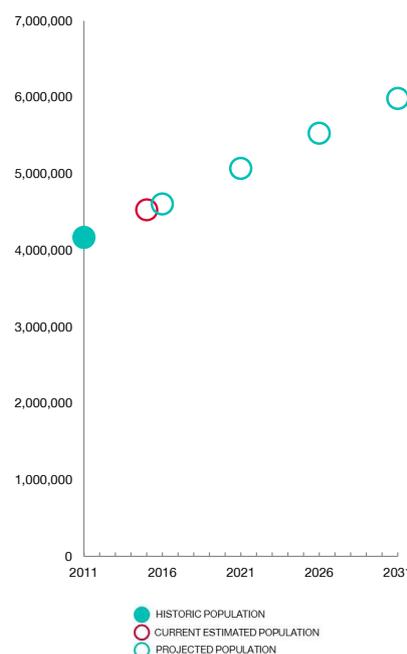
## Employment

More people within Melbourne are educated at university level compared to the Australian average—with approximately 17.4% of the local student population studying at university in the 2011 Census, compared to the national average of 14.3%.

Melbourne is a skilled city. The most common occupation of Melbourne's residents are Professionals — at 24.1%, compared to the national 21.3% average.

Clerical and Administrative Workers (15.3%), Technicians and Trades Workers (13.4%), Managers (12.5%) and Sales Workers (9.7%) were the next most recorded occupations.

FIGURE 1  
**Melbourne Projected Population**  
Total number of persons



Source: Knight Frank Research, ABS

## Liveability

Melbourne has also received the title of 'World's Most Liveable City' for the sixth year in a row – defeating 139 other global cities to top The Economist Intelligence Unit's Global Liveability Index. The index is based on 30 factors spread across five areas: stability, infrastructure, education, health care and environment as shown in Table 1.

TABLE 1

### World's Most Liveable Cities

Index of 140 cities based on Stability, Infrastructure, Education, Health Care & Environment, 2016

1. Melbourne
2. Vienna
3. Vancouver
4. Toronto
= 5. Adelaide, Calgary
7. Perth

Source: Knight Frank Research, Economist Intelligence Unit

## Tourism

Home to some of the biggest and best sporting and cultural events in the world, Melbourne paves the way when hosting both local and international events. The annual events calendar is always abuzz with arts festivals, live music, exhibitions, blockbuster theatre shows, sport and activities for children of all ages.

The number of international visitors to Australia totalled 7.7 million in the year ending March 2017, up 9.2% on the previous year. The number of visitors from Other Asian countries grew 21.1%, to 291,000, while over the same time, visitors from Taiwan (at 156,000) and Thailand (at 87,000) both increased 18.5%. The remaining fastest growing top ten nationalities visiting Australia have been ranked in Figure 2.

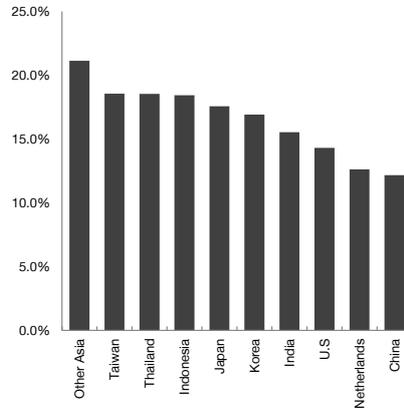
## Shopping

Melbourne accommodates a vast array of world renowned restaurants, art galleries, independent fashion houses and vibrant retail strips encouraging a coffee-culture society.

FIGURE 2

### International Visitors – Top 10 Nationalities – to Australia

Annual Growth, Year ending Mar 2017



Source: Knight Frank Research, Tourism Research Australia

Retail strips feature several shops standing in a row – colourful with a diverse range of traders. Chapel Street, South Yarra and Bridge Road, Richmond accommodates fashion labels and local designers; while in the CBD, Flinders Lane and Bourke Street Mall are within close proximity for workers and residents. International brands such as H&M, Zara and Uniqlo have recently set-up stores in the on-trend city; with luxury brands already established at the Paris-end of Collins Street and shopping arcades scattered throughout the CBD.

Gertrude Street, Fitzroy is full of bars, restaurants, galleries, boutiques, vintage wears, costume hire and old-school pubs, while High Street, Armadale houses designer clothes, elegant bridal, homeware, gifts, galleries and antiques. Acland Street, St Kilda is located adjacent to the bay and a short stroll to St Kilda Pier, Luna Park and easily accessible from the city by tram. On a sunny day, St Kilda is popular with locals and tourists alike.

Convenient shopping centres are located within suburban areas. Shopping centres such as Chadstone, Highpoint and Southland are designed as retail destinations, including department stores, casual dining, cinemas, large format retailers specialising in white goods.

## MELBOURNE ANNUAL EVENT CALENDAR

### JANUARY

- Melbourne Chinese New Year Festival
- Australian Open Tennis
- Australia Day Melbourne Celebrations

### FEBRUARY

- Asia Pop Courtyard Cantina
- Yak Ales Melbourne Barbecue Festival

### MARCH

- Melbourne Food and Wine Festival
- Formula 1 Grand Prix
- The Melbourne International Flower and Garden Show

### APRIL

- Melbourne Comedy Festival
- Oxfam Trailwalker

### MAY

- Melbourne International Coffee Exhibition
- Melbourne Good Beer Week

### JUNE

- Ski Season in Mount Hotham, Mount Buller and Falls Creek

### JULY

- Melbourne International Film Festival

### AUGUST

- Melbourne Fishing and Boating Exhibition

### SEPTEMBER

- Melbourne Fringe Festival
- Spring Racing Carnival
- Australian Football League Grand Final
- Royal Melbourne Show

### OCTOBER

- Melbourne Festival

### NOVEMBER

- Melbourne Cup Carnival

### DECEMBER

- Christmas Festival
- International Sailing Federation World Cup
- New Year's Eve at Federation Square
- Boxing Day Cricket Test

“International students can apply for a single Student Visa regardless of their chosen course of study, whilst student guardians can apply for the new Student Guardian Visa.”

# STUDYING IN MELBOURNE

## The Simplified Student Visa Framework (SSVF)

From 1 July 2016, the Simplified Student Visa Framework (SSVF) replaced all previous eight student visas to allow study in Australia.

Under the SSVF there will be only two subclasses: Student Visa and Student Guardian Visa.

## Student Visa – Subclass 500

International students can apply for a single Student Visa regardless of their chosen course of study.

## Student Guardian Visa – Subclass 590

Student guardians can apply for the new Student Guardian Visa.

The SSVF is designed to make the process of applying for a student visa simpler to navigate as all applications for student visas must be completed online.

All students and student guardians will generally be required to lodge their visa application online by creating an account in ImmiAccount.

ImmiAccount can be accessed at: [border.gov.au/Trav/Visa/Immi](http://border.gov.au/Trav/Visa/Immi)

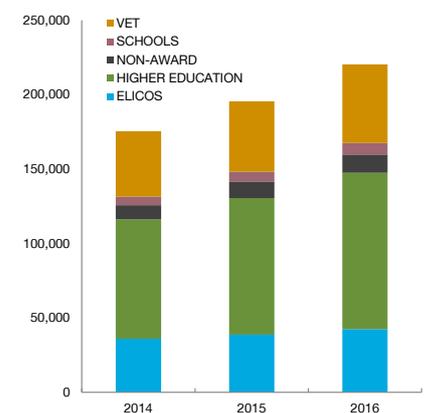
## International Student Population

Reflecting the strong reputation internationally, universities in Victoria accommodate a large international student base.

International student enrolments in Victoria have increased 26% from 175,370 in 2014, to 220,330 in 2016, as shown in Figure 3. Higher Education commands the most demand in student enrolments with 104,970, followed by Vocational Education and Training (VET) with 52,850 students.

FIGURE 3  
International Student Enrolments – Victoria

Number of persons, All countries



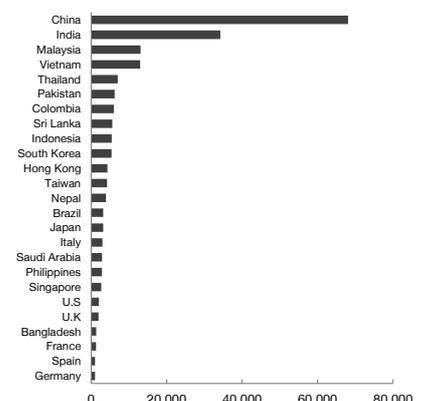
Source: Knight Frank Research, Department of Education and Training

The top 25 nationalities of international students enrolled to study in Victoria, in 2016, across all education sectors are ranked in Figure 4.

The largest nationality population base is from China (68,100), India (34,240), Malaysia (13,100), Vietnam (13,000) and Thailand (7,060).

FIGURE 4  
International Student Enrolments – Top 25 Nationalities – Victoria

Total number of persons, All education levels, 2016



Source: Knight Frank Research, Department of Education and Training

# EDUCATION—PRIMARY & SECONDARY SCHOOLS AND UNIVERSITIES

## Primary & Secondary Schools

Schools in Australia generally comprise a mix of local and international students.

The schooling education system in Victoria is broadly divided into:

- **Primary school (ages 5 to 12)**
- **Secondary school (ages 12 to 18)**

There are four main types of schools—public, selective public, independent and religious-based.

## Public schools

Public schools are financially and administratively operated by the state government and provide free education to domestic students. First preference is normally given to those living within a particular catchment area from the school.

Student visa holders must pay a fixed fee for each year of education, dependent on the type of visa held.

## Selective public schools

Selective public schools are financially and administratively operated by the state government. Selective public schools are regarded as more prestigious due to the academic selective nature.

Students must sit academic examination and excel in order to be offered a position from the respective school. Additionally, these selective public schools do not usually limit their intake to catchment areas.

Due to their public nature, student visa holders must pay a fee for each year of education.

## Independent schools

Independent schools are financially and administratively privately operated. Independent schools therefore hold more control over the quantity and quality of teachers, classroom sizes, amenities and co-curricular.

Fees for independent schools are usually high, but can be considered to provide an investment for superior education and amenities to students.

## Religion-based schools

Religion-based schools hold faith at the core of their education—however they continue to follow the state government education curriculum.

These religion-based schools are usually non-government, and thus often have higher fees than government subsidised schools.

## Universities

Most universities have a main campus with several smaller campuses located across multiple states and territories; in CBD, metropolitan and regional areas. This provides a wide range of options when studying in Australia with many universities also setting up campuses based in major international cities.

The application process for international students applying to Australian universities is similar to local students. The length of the application process can often be longer than local students, as more information is required before acceptance.

Most universities will require an IELTS (International English Language Testing System) examination conducted, an internationally recognised education qualification and a portfolio of previous work experience where applicable.

## APPLYING TO AN AUSTRALIAN SCHOOL

**Apply to School:** In most schools, an 'Expression of Interest' form must be completed prior to the school year commencement in order to guarantee a position for the student. Response times vary for each school.

**Wait for Offer:** If all requirements are met, the school will offer a formal placement in writing.

**Apply for a Student Visa:** With the formal school offer, students can then apply for relevant visas to allow them to live and study in Australia.

## APPLYING TO AN AUSTRALIAN UNIVERSITY

**Apply to University:** Search online for a university course or investigate the courses on offer at your preferred university. Apply directly through the university contacts and provide all required evidence (usually education, financial and English language competence). Response times vary for each university.

**Wait for Offer:** If all requirements are met, the university will offer a formal placement in writing.

**Apply for a Student Visa:** With the formal university offer, students can then apply for relevant visas to allow them to live and study in Australia.

# EDUCATION—PRIMARY SCHOOLS

Melbourne's top 25 overall best primary schools in 2015 are listed in Table 2, ranked according to *Better Education*.

TABLE 2

## Primary Schools—Top 25—Melbourne

Based on performance, 2015

Primary School	Locality	Format	Type	English Score	Maths Score	Overall Score
1 Presbyterian Ladies' College	Burwood	Girls	Presbyterian	5/5	5/5	100
2 Haileybury College	Keysborough	Co-ed	Independent	5/5	5/5	100
3 Camberwell Girls Grammar School	Canterbury	Girls	Anglican	5/5	5/5	100
4 Yesodei Hatorah College	Elwood	Co-ed	Jewish	5/5	5/5	100
5 Fitzroy Community School	North Fitzroy	Co-ed	Independent	5/5	5/5	100
6 Erasmus School	Hawthorn	Co-ed	Independent	5/5	5/5	100
7 Beverley Hills Primary School	Doncaster East	Co-ed	Public	5/5	5/5	100
8 Huntingtower School	Mt Waverley	Co-ed	Christian	5/5	5/5	100
9 Fintona Girls School	Balwyn	Girls	Independent	5/5	5/5	100
10 St Andrews Christian College	Wantirna South	Co-ed	Christian	5/5	5/5	100
11 Serpell Primary School	Templestowe	Co-ed	Public	5/5	5/5	100
12 Doncaster Gardens Primary School	Doncaster East	Co-ed	Public	5/5	5/5	100
13 Sholem Aleichem College	Elsternwick	Co-ed	Jewish	5/5	5/5	100
14 Mt Pleasant Rd Nunawading Primary School	Brentford	Co-ed	Public	5/5	5/5	100
15 Waverley Christian College	Wantirna South	Co-ed	Christian	5/5	5/5	100
16 Burwood East primary School	Burwood East	Co-ed	Public	5/5	5/5	100
17 Camberwell Primary School	Camberwell	Co-ed	Public	5/5	5/5	99
18 Weeden Heights Primary School	Vermont South	Co-ed	Public	5/5	5/5	99
19 Glendal Primary School	Glen Waverley	Co-ed	Public	5/5	5/5	99
20 Kilvington Grammar School	Ormond	Co-ed	Independent	5/5	5/5	99
21 Mount View Primary School	Glen Waverley	Co-ed	Public	5/5	5/5	99
22 Kingswood College	Box Hill	Co-ed	Anglican	5/5	5/5	99
23 Shelford Girls Grammar	Caulfield	Girls	Anglican	5/5	5/5	99
24 Birralee Primary School	Doncaster	Co-ed	Public	5/5	5/5	99
25 Hampton Primary School	Hampton	Co-ed	Public	5/5	5/5	99

Format refers to Girls only, Boys Only & Co-ed (co-educational allowing for both girls and boys to attend the school). Type refers to Public, Selective Public, Independent and Religion-based. If religion-based, the religion is stated such as: Catholic, Christian, Anglican, Uniting, Presbyterian, Lutheran, Jewish, Islamic. English & Maths Scores are provided out of a total of 5 (5 being the highest score) whilst Overall Score provided is out of a total of 100 (100 being the highest score).

Source: Knight Frank Research, Better Education

# EDUCATION—SECONDARY SCHOOLS

Melbourne's top 25 overall best secondary schools in 2015 are listed in Table 3, ranked according to *Better Education*.

TABLE 3

## Secondary Schools—Top 25—Melbourne

Based on performance, 2015

Secondary School	Locality	Format	Type	English Score	Maths Score	Overall Score
1 Melbourne High School	South Yarra	Boys	Selective	5/5	5/5	100
2 Mac. Robertson Girls' High School	Melbourne	Girls	Selective	5/5	5/5	100
3 Nossal High School	Berwick	Co-ed	Selective	5/5	5/5	100
4 Suzanne Cory High School	Werribee	Co-ed	Selective	5/5	5/5	100
5 Presbyterian Ladies' College	Burwood	Girls	Presbyterian	5/5	5/5	100
6 Korowa Anglican Girls School	Glen Iris	Girls	Anglican	5/5	5/5	99
7 Fintona Girls School	Balwyn	Girls	Independent	5/5	5/5	99
8 Camberwell Grammar School	Canterbury	Boys	Anglican	5/5	5/5	99
9 Scotch College	Hawthorn	Boys	Presbyterian	5/5	5/5	99
10 Haileybury College	Keysborough	Co-ed	Independent	5/5	5/5	99
11 Camberwell Girls Grammar School	Canterbury	Girls	Anglican	5/5	5/5	99
12 Waverley Christian College	Wantirna South	Co-ed	Christian	5/5	5/5	99
13 Penleigh and Essendon Grammar School	Keilor East	Co-ed	Uniting	5/5	5/5	99
14 Lauriston Girls School	Armada	Girls	Independent	5/5	5/5	99
15 Huntingtower School	Mt Waverley	Girls	Christian	5/5	5/5	99
16 Lighthouse Christian College	Cranbourne	Co-ed	Christian	5/5	5/5	99
17 St Kevin's College	Toorak	Boys	Catholic	5/5	5/5	99
18 St Andrews Christian College	Wantirna South	Co-ed	Christian	5/5	5/5	98
19 Ruyton Girls' School	Kew	Girls	Independent	5/5	5/5	98
20 Trinity Grammar School	Kew	Boys	Anglican	5/5	5/5	98
21 Box Hill High School	Box Hill	Co-ed	Public	5/5	5/5	98
22 Melbourne Grammar School	South Yarra	Boys	Anglican	5/5	5/5	98
23 St Leonard's College	Brighton East	Co-ed	Uniting	5/5	5/5	98
24 Methodist Ladies College	Kew	Girls	Uniting	5/5	5/5	98
25 Glen Waverley Secondary College	Glen Waverley	Co-ed	Public	5/5	5/5	98

Format refers to Girls only, Boys Only & Co-ed (co-educational allowing for both girls and boys to attend the school). Type refers to Public, Selective Public, Independent and Religion-based. If religion-based, the religion is stated such as: Catholic, Christian, Anglican, Uniting, Presbyterian, Lutheran, Jewish, Islamic. English & Maths Scores are provided out of a total of 5 (5 being the highest score) whilst Overall Score provided is out of a total of 100 (100 being the highest score).

Source: Knight Frank Research, Better Education

# EDUCATION – UNIVERSITIES

All major universities located in Victoria are listed in Table 4.

TABLE 4

## Universities – Victoria

University Name <i>Campuses   International Campuses</i>	State Ranking 2017	Australia Ranking 2017	World Ranking 2017	Adjusted Graduate Salary (AUD) 2017	Number of International Students (% of Total Students) 2015	Annual International Student Fees (Average, AUD) 2015
<b>Deakin University</b> <i>Burwood, Geelong Waterfront, Geelong Waurm Ponds, Warrnambool</i>	2	7	341	\$49,265	7,528 (15%)	\$27,000
<b>Federation University</b> <i>Mt Helen, SMB, Camp St, Gippsland, Horsham, Ararat, Stawell</i>	4	31	1,526	\$49,366	6,652 (48%)	\$25,000
<b>La Trobe University</b> <i>Melbourne CBD, Bendigo, La Trobe City, Franklin St, Mildura, Shepparton</i>	7	36	405	\$48,801	7,811 (23%)	\$26,000
<b>Monash University</b> <i>Berwick, Caulfield, Clayton, Parkville, Peninsula   Suzhou (China), Mumbai (India), Kuala Lumpur (Malaysia), Prato (Italy), Johannesburg (South Africa)</i>	3	10	114	\$48,041	23,298 (35%)	\$36,000
<b>RMIT University</b> <i>Melbourne CBD, Brunswick, Bundoora   Ho Chi Minh City (Vietnam), Hanoi (Vietnam), Barcelona (Spain)</i>	9	39	364	\$42,053	26,391 (45%)	\$29,000
<b>Swinburne University of Technology</b> <i>Hawthorn, Wantima, Croydon, Melbourne CBD   Sarawak (Malaysia)</i>	6	34	736	\$45,531	8,425 (25%)	\$24,000
<b>University of Divinity</b> <i>Catherine Booth College, Catholic Theological College, Pilgrim Theological College, St Athanasius Coptic Orthodox Theological College, Sentir Graduate College of Spiritual Formation, Stirling Theological College, Trinity College Theological School, Whitley College, Yarra Theological Union</i>	8	38	13,882	\$42,589	126 (8%)	NA
<b>University of Melbourne</b> <i>Parkville, Burnley, Southbank, Creswick, Dookie, Hawthorn, Shepparton, Werribee</i>	1	1	50	\$58,853	15,534 (29%)	\$35,000
<b>Victoria University</b> <i>City Flinders, City Flinders Lane, City King, City Queen, Footscray Nicholson, Footscray Park, Melton, St Albans, Sunshine, Werribee</i>	5	33	737	\$51,492	9,903 (36%)	\$23,000

Australian Ranking is calculated from the combined score for World Ranking (reputation), Graduate Satisfaction (ratings) and Adjusted Graduate Salary (results). State Ranking is based directly from the Australian Ranking. World Ranking is calculated by averaging the ranking produced by QS World University Ranking, the Shanghai Academic Ranking of World Universities and Webometrics web publishing rankings. Adjusted Graduate Salary is a measure of how well we are doing on the job market some months after graduating based on graduate salaries, rates of unemployment and the proportion of students who go onto further study. Further information is available at [universityreviews.com.au](http://universityreviews.com.au)

Important Notice: All fees provided are an estimate only. It is highly recommended to engage directly with the Australian university for information on the course and fees applicable.

Source: Knight Frank Research, Uni Reviews



# PURCHASING A RESIDENTIAL PROPERTY IN MELBOURNE

## Current regulations for purchasing residential property in Melbourne

For further information:

Foreign Investment Review Board [FIRB]

[firb.gov.au](http://firb.gov.au)

Department of Immigration and Border Protection

[border.gov.au](http://border.gov.au)

- Must apply and gain approval from the FIRB prior to purchasing property in Australia.
- Applications are generally approved if the property purchased adds to the housing stock, including new dwellings that are yet to be occupied or sold, off-the-plan properties under construction or yet to be built. This includes vacant land for residential development where ongoing construction begins within 24 months.
- Non-permanent residents are forbidden to purchase established dwellings as investment properties or as homes. Although there could be an exception if the established dwelling is being redeveloped into multiple dwellings, and as a result, there is an increase in the dwelling count. Over the development period, the house must remain unoccupied.
- Foreign buyers can purchase an off-the-plan dwelling, when another buyer has failed to reach settlement—reverting to its previous status as a new dwelling. An apartment or house that has just been built, or is still under construction and for which the title has never changed hands, is not considered an established dwelling.
- A temporary resident is a person who is residing in Australia and holds a temporary residency visa which permits them to stay in Australia for a continuous period of more than 12 months (regardless of how long remains on the visa); or has submitted an application for permanent residency and holds a bridging visa which permits them to stay in Australia until that application has been finalised.
- Are required to notify FIRB prior to purchasing property in Australia, including an established dwelling, a new dwelling that has been purchased directly from the developer and has not been previously occupied for more than 12 months in total and vacant land for residential development where ongoing construction begins with 24 months. Temporary residents are not permitted to buy established dwellings as investment properties.
- May acquire one established dwelling only and it must be used as their main residence (home) in Australia. Such proposals normally meet with no foreign investment objections subject to conditions; such as, that the temporary resident sells the property when it ceases to be their main residence.

Non-Permanent Resident  
(Foreign Investor)

Temporary Resident  
(Temporary Residency Visa)

- Acquiring second-hand dwellings for the purpose of providing housing for their Australian-based staff normally meet with no objections subject to the conditions set by FIRB.
- The company must sell the property if it is expected to remain vacant for six months or more. In remote and rural locations foreign companies may rent out dwellings acquired under this category only where they are unable to sell the property.
- Whether a company is eligible, and the number of properties it may acquire under this category, will depend upon the scope of the foreign company's operations and assets in Australia.
- Foreign companies would not be eligible under this category where the property would represent a significant proportion of its Australian assets.

Foreign Company with Australian Business

- Investment migrants under this scheme are required to invest at least AUD\$5 million into complying investments in Australia for a minimum of four years before becoming eligible for permanent residency.
- The SIV scheme is intended to target the migration of high net-worth individuals to Australia with the longer-term aim of transferring wealth of international businesses and individuals to benefit Australian businesses and the broader economy.
- The SIV scheme was introduced on 24 November 2012 and is operated by the Department of Immigration and Border Protection.

Significant Investor Visa (SIV)

Investment Migrants (High Net Worth Individuals)

- Investment migrants under this scheme are required to invest at least AUD\$15 million into complying investments in Australia for a minimum of 12 months before becoming eligible for permanent residency; a more expeditious pathway than the SIV.
- The PIV scheme is aimed at attracting applicants with business and entrepreneurial skills and capital to enhance investment into innovative Australian businesses and the commercialisation of Australian ideas, research and development.
- The PIV scheme was introduced on 1 July 2015 and is operated by the Department of Immigration and Border Protection.

Premium Investor Visa (PIV)

“Before purchasing a residential property in Australia, all foreign investors must apply to the Foreign Investment Review Board (FIRB).”

“A fee is payable before their foreign investment application will be processed.”

“Seeking approval from the FIRB is property-specific; therefore one application per property.”

“The fee on application does not provide any assurance of securing the property.”

# PURCHASING A RESIDENTIAL PROPERTY IN MELBOURNE

When purchasing property in Australia, there are both federal and state taxes and a range of fees that are implemented.

## COSTS—STANDARD

### Deposit

A deposit of 10% is generally paid to ‘reserve’ or ‘secure’ a property. This sum is generally paid by cheque or electronic transfer and held in Trust until the remaining 90% is paid upon settlement or, when the property has completed construction.

### Stamp Duty

Stamp duty is a tax that is levied by the state government on written documents and transactions involved in the purchase of property. Dependent on the stage of development, stamp duty can be significantly reduced for off-the-plan properties under various government incentive schemes.

### Land Transfer Fee

When a property changes ownership, a document known as a Land Transfer is lodged and registered with the appropriate State Titles Office, and a fee is charged. It is this document that records the change of ownership. The cost to register the title varies in each state or territory of Australia. Your solicitor/conveyancer will usually perform this task on your behalf.

*Note: Also known as a Land Registration Fee.*

### Legal Fees

Legal fees will vary between legal firms and may be dependent on property value. Generally fees range from \$1,000 to \$3,000 plus Goods and Services Tax (GST). It is highly recommended to engage a solicitor or conveyancer during the entire process of a property purchase.

*Note: Also known as Conveyancer Fees*

### Mortgage Application Fee

A fee charged by the relevant state government for the registration of a home loan, which vary from provider to provider.

*Note: Also known as a Mortgage Registration Fee.*

## ADDITIONAL COSTS—AS A FOREIGN INVESTOR

The Australian Government welcomes foreign investment into Australia’s residential property market. The current rules around foreign investment in residential property aim to direct investment into new housing, increasing the housing supply and support local economic activity.

All foreign persons— that is, temporary residents and non-residents— can apply to purchase vacant residential land for development and newly constructed dwellings in Australia.

Non-resident foreign persons are generally prohibited from purchasing established dwellings in Australia. However, temporary residents can apply to purchase one established dwelling to use as their residence while they live in Australia, although on the condition the property is sold when it ceases to be their principal place of residence.

Once a property has been identified to purchase, an application must be made to the Australian Foreign Investment Review Board (FIRB). It is highly recommended that an application is submitted prior to the advance of any transaction—to ensure complete legality of the purchase. Additionally, approval from FIRB is property-specific—one

application per property.

When the application is submitted, the government investigates to ensure that the purchase of the property will be in the country's best interest. A decision on the application is made within 30 days— unless complications or alterations occur, in which it may take up to 90 days.

## Foreign Investor Application Fee

From 1 December 2015, all foreign investors must pay a fee before their foreign investment application will be processed.

Foreign investors are required to pay \$5,000 to purchase a new property in the Australian property market, with an additional \$10,000 payable for every million dollar increment in the value of the property. The fees apply for each application and is uncapped if the property is valued over AU\$1 million.

TABLE 6  
**Fees payable by Foreign Investors, Residential property**  
Based on Property Value, AUD

\$1 million or less	Over \$1 million
\$5,000	\$10,000 plus \$10,000 incremental fee increase per additional \$1 million in property value

An interactive on-line fee estimator is available at [firb.gov.au](http://firb.gov.au)

Source: FIRB

This fee does not provide any assurance of securing the property and stricter penalties have been ramped up by the Australian Taxation Office (ATO) for those who breach the rules.

For more detailed information on current fees and penalties, refer to our [Foreign Investment in Australian Residential Property Market Insight](#) report.

## Duty Surcharge

The Victorian state government imposes a duty surcharge for foreign investors, payable in addition to standard state-based stamp duties. From 1 July 2016, foreign purchasers are required to pay an additional 7% of the sale price.

TABLE 7  
**Duties payable by Foreign Investors, Residential property**  
Based on Property Value, AUD, Payable in addition to standard state-based stamp duties

### Victoria; including Melbourne

Duty Surcharge on Purchase Price; from 1 July 2016	7%
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Source: State Revenue Office Victoria

Other states with similar foreign investor duties include New South Wales (8% as of 1 July 2017) and Queensland (at 3%) effective from 1 October 2016.

# CASE STUDY: COST TO PURCHASE A NEW RESIDENTIAL APARTMENT IN MELBOURNE

TABLE 5  
**Estimated Property Purchase Costs, Melbourne**  
All costs represented in AUD, From 1 July 2017

Purchase Price	350,000	500,000	750,000	1,000,000	1,500,000	2,000,000
Stamp Duty	16,070	25,070	40,070	55,000	82,500	110,000
Land Transfer Fee	915	1,265	1,850	2,435	3,600	3,600
Legal Fee (includes GST payable)	1,500	1,500	1,500	1,500	1,500	1,500
Mortgage Application Fee	115	115	115	115	115	115
<b>Standard: Estimated Total Costs</b>	<b>18,600</b>	<b>27,950</b>	<b>43,535</b>	<b>59,050</b>	<b>87,715</b>	<b>115,215</b>
Foreign Investor Application Fee*	5,000	5,000	5,000	5,000	10,100	20,300
Foreign Investor Duty Surcharge @7%	24,500	35,000	52,500	70,000	105,000	140,000
<b>Foreign Investor: Estimated Total Costs</b>	<b>48,100</b>	<b>67,950</b>	<b>101,035</b>	<b>134,050</b>	<b>202,815</b>	<b>275,515</b>

\*The FIRB application must be made prior to the advance of any transaction to ensure complete legality of the purchase. Seeking approval from the FIRB is property-specific; therefore one application per property. The fee on application does not provide any assurance of securing the property. An interactive on-line fee estimator available at [www.firb.gov.au](http://www.firb.gov.au)

Important Notice: The above worked examples are an estimate only. It is highly recommended to engage a solicitor or conveyancer during the entire process of a property purchase.

Source: State Revenue Office Victoria, FIRB

## WHAT IS AN OWNERS CORPORATION?

A group of elected people that manage the operations and decision-making of the common area of the property. This can include elevators, foyers, swimming pools and spa, gymnasiums, plants and foliage, lighting, staircases, fences, visitor car parks and security.

In most states, the owners corporation must comprise of an executive committee (generally individual owners of the apartments) that can make any necessary decisions on its behalf. The rights and responsibilities of both the owners corporation and its members differ state by state but generally comprise:

- Maintaining and repairing the common property of the strata scheme
- Managing the finances of the strata scheme
- Maintaining required insurances including public liability and building insurance where applicable
- Record keeping of all details of notices given under the relevant state strata management legislation
- A strata register must be established and maintained, detailing the owner's name or agent's name and address for each lot within the strata scheme
- Administering any by-laws for the strata scheme
- To provide a grievance register

# OWNING A RESIDENTIAL PROPERTY IN MELBOURNE

In Australia, most properties are purchased as freehold—that is, the land and building is owned outright, in perpetuity. Costs and taxes associated with a property vary dependent on the services the building provides.

## COSTS—STANDARD

### Land Tax

Land tax is an annual state tax that is calculated based on the aggregated taxable value of all land owned (or jointly owned) by an individual. Land Tax is not applied if the property is your principal residence.

### Foreign Investor Land Tax Surcharge & Levy

An absentee person, considered to be a foreign purchaser not residing in the property (but purchased by the foreign investor in Victoria) will be charged an extra 1.5% land tax on the general land tax rates. This is applicable from the 2017 land tax year. The Australian Government have also introduced an additional annual levy for foreign-owned vacant properties; equivalent to the foreign investment application fee imposed on the property by FIRB at the time the property was initially purchased.

### Vacant Residential Property Tax Surcharge

From 1 January 2018, the introduction of a vacant residential property tax (VRPT) will apply for both local and foreign owners. The VRPT will be levied on dwellings that are vacant for more than a total of six months in a calendar year and apply annually at a rate of 1% of the property's capital improved value, and be payable on a calendar-year basis – as with land tax.

### Owners Corporation

If the purchased property is strata titled (a

building where there are common areas and facilities for all occupants of the building), then an owners corporation must be established for the site. A regular fee is generally paid to maintain the property.

### Council Rates

This varies from state to state as well as local council government area. This is the tax the council charges owners for the services to the property—generally paid quarterly or annually.

### Income Tax

Income tax is payable on gross rental income, less any allowable deductions incurred in earning that income. As there are a number of allowable deductions, it is recommended that an Australian Tax advisor is consulted.

## COSTS—WHEN A RESIDENTIAL LEASE IS ENGAGED

### Lease

A property lease is a contract by which one party conveys property or land to another party for a specified period of time, usually in return for a periodic payment. An owner is allowed to lease their property in order to earn an income from the building. When leasing out a property, there are costs and responsibilities for the landlord.

### Rent

Rent paid by the tenant, to the landlord, can be paid weekly, fortnightly or monthly and this would be stipulated within the lease. Rent increases will be stated within the lease. In a standard lease, the landlord cannot increase the rent until the end of the fixed term unless stated. Rent can't be increased more than once, every six months, and this is normally calculated in line with the market. The tenants must get at least 60

days notice of any proposed increase.

## Bond

A bond is a lump sum payment requested upfront from the tenants as security before moving into the property—usually four weeks' rent. This lump sum is held in a trust by the *Residential Tenancies Bond Authority (RTBA)*, and will be repaid to the tenant at the termination of the lease if the property is left in a suitable condition.

## White Goods

Residential property may come either furnished or unfurnished, which is clarified in the lease. However, it is usually advised that the landlord provide fitted white goods as a minimum in order to appeal to a wider market, especially in high-rise apartment complexes.

## Property Management Fees

**Letting Fees:** Usually 2 weeks' rent is paid to the agent as a fee for finding and securing a tenant.

**Management Fees:** Any costs associated with employing the management of the building and its tenants. The fees usually range from 7% to 8.5% plus GST.

## Landlord Insurance

Landlord Insurance is a type of property insurance that is designed specifically to rental properties. Depending on the insurance provider, it protects the home and contents from damage, theft, severe weather or rent default in some cases. To decrease risk, Landlord Insurance is highly recommended.

## Utility and Service Charges

The party responsible for payment of utility and service charges will be stipulated within the lease. However, the landlord must pay for the actual installation and initial connection costs for electricity, gas, oil and water supply. If these need replacing, then the landlord must replace them to the minimum efficiency standards.

## Repairs

Repairs to the property that are due to the normal wear and tear of the property must be paid by the landlord.

Repairs classified as 'urgent' must be completed as soon as possible, while 'non-urgent' repairs must usually be taken care of before 14 days of notification.

## Terminating the Tenancy

A tenancy can be terminated at the conclusion of the lease. However, both landlord and tenant can request to end the tenancy for a variety of reasons which are outlined under the *Residential Tenancies Act 1997 (VIC)*.

Certain conditions must be met before the lease can be terminated, including days of notice, number of notices and reason for termination.

For more information, please visit <http://www.consumer.vic.gov.au/>

# SELLING A PROPERTY IN MELBOURNE

## Legal Fees

Legal fees include, but are not limited to, the costs for preparing a contract for sale. The solicitor or conveyancer fee could be dependent on value of property, and may vary between state and territory as well as the particular solicitor chosen. The cost may range between \$1,000 and \$3,000, plus GST.

## Real Estate Agent Fees

An agent fee is the commission paid by the owner to the agent for selling your property. Commissions will vary between state and territory, and the fine print of the contract should be analysed thoroughly to understand the breakdown of the fee structure (such as fixed rate or tiered rate). Fees often range between 2% and 3% of the value of the property sold.

## Marketing Fees

When an agent is chosen, the agent's fee breakdown will often stipulate the budget associated to marketing and advertising of the property. Additionally, there will be a period allocated to marketing with multiple open house inspections over several weeks. Budgets for marketing, media, as well as length of advertising should all be discussed with the agent to ensure maximum advertising potential.

## Capital Gains Tax (CGT)

Capital gains tax (CGT) is a federal tax levied on the gains or loss upon the sale of an investment (most often real estate or shares). The tax is implemented simply on the difference between the cost of acquiring the investment, and the received value when sold. The difference is then added to the individual's or company's income tax for that financial year, and taxed accordingly with those rates. For local resident individuals, this equates to a range of 0% to 45%, while tax is applied at a rate of 32.5% to 45% for non-resident individuals. The CGT withholding rate for foreign tax residents is 12.5% with a threshold of \$750,000, unless a clearance certificate can be provided by the vendor. This will be effective from 1 July 2017.



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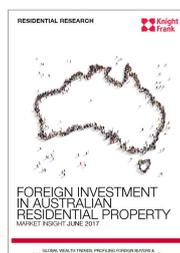
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