

The Wealth Report City Series
**MELBOURNE
EDITION.**

The local perspective on prime property and lifestyle



Welcome to the Melbourne Edition

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Welcome to the Melbourne Edition of *The Wealth Report*, Knight Frank's annual thought-leadership publication for our UHNW clients and their advisors.

It is particularly fitting that Melbourne should be the focus of our first special city edition. Its reputation as one of the world's most exciting urban centres was underlined when it was named the world's most liveable city for the sixth consecutive year in the latest rankings by The Economist Intelligence Unit.

This publication not only builds on the research and insight Knight Frank provides every year in *The Wealth Report*, but also takes a deeper, more localised focus on the issues that matter to investors, both domestic and overseas. It confirms recent trajectories and drivers, but also forecasts future trends and attractions of this leading Asia-Pacific destination.

Knight Frank's growing market strength in Australia means we are able to provide a comprehensive view of the economy, investment opportunities, lifestyle and the residential market in what is considered by many to be a world-class city.

Our Australia research team provides a detailed view of where Melbourne sits in the world ranking of prime residential markets, examining some of the factors – such as relative affordability and the influence of currency – that make it so

attractive to wealthy residents from across Australia, the wider Asia-Pacific region and even further afield.

The importance of Melbourne's economic mix and skilled employment base in the context of future investment in city-wide infrastructure is also discussed.

Findings from previous editions of *The Wealth Report* have confirmed that lifestyle is a critical issue driving investment into residential markets globally. We consider place-making, architecture, art, fashion, health, sport and the burgeoning food scene in Melbourne to provide a rounded view of the opportunities the city offers and that justify its world ranking.

We have also assembled an impressive array of experts, who help untangle the latest developments in three critical areas for residential buyers: new visa rules, the latest property taxation reforms, and school and university options.

Wherever you are based, or have invested in the past, I hope you enjoy the Melbourne Edition. I am sure you will find it an invaluable aid to your investment decisions as you plan for the future.

Our residential and commercial property teams are available to discuss your requirements, whether that's in Melbourne or any of the key global markets we cover via our network of offices across 58 countries.

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NOW AVAILABLE

The definitive analysis on global wealth and investment trends



KNIGHTFRANK.COM/WEALTHREPORT



FLIGHT TIMES TO MELBOURNE



- 1 Sydney = 1 hr 35 mins
- 2 Singapore = 7 hrs 20 mins
- 3 Kuala Lumpur = 7 hrs 30 mins
- 4 Bangkok = 8 hrs 50 mins
- 5 Hong Kong = 9 hrs 20 mins
- 6 Shanghai = 10 hrs 50 mins
- 7 Beijing = 11 hrs 30 mins
- 8 New Delhi = 12 hrs 15 mins



PAUL SAVITZ
DIRECTOR OF RESEARCH
& CONSULTING

World-class credentials

Since 2012, the prime residential market in Melbourne (AU\$3m+) has shaken off its post-financial crisis inertia. According to the Knight Frank Prime Global Cities Index, the city saw annual price growth of 8.8% in 2016, despite new fees being introduced for foreign buyers. An increase in prime values, averaging 2.4% growth per quarter since the June 2015 quarter, has buoyed values by 76.9% over the last decade.

There continues to be a limited supply of new prime residential properties being built in Melbourne. This is set against rapid population growth enhanced by strong migration. Greater Melbourne's population of 4.53 million has risen at a rate of 2.1% per annum over the past 10 years. At the last count, Melbourne was found to be Australia's fastest-growing city, adding 91,600 residents in 2015,

accounting for 28.9% of the national population increase.

Foreign migrants not meeting the investment criteria of Australia's Significant and Premium Investor Visa must buy a 'new' residential property in order to comply with federal government regulations. Many buyers have already seen strong investment returns in other global cities after buying into projects in once-obsolescent inner-city areas. They are now in a position to add an Australian property to their international portfolio.

Taking advantage of the lower Australian dollar, many expats are returning temporarily to buy a property in preparation for resettling in Australia. Downsizers who have previously lived in prestigious suburbs are also taking advantage of current market conditions. They are not necessarily seeking a

wholesale change – rather, many are looking at a lower-maintenance home in a similar location or near the central business district. This way, they are familiar with their community and its amenities, with family and friends nearby, while still near enough to enjoy Melbourne's centre.

These factors, together with Australia's increasingly important safe-haven status, record low interest rates and cheaper finance, are establishing Melbourne as one of the world's strongest cities for prime residential property demand. The upsurge in prime transactions, from circa 300 in 2011 and 2012 to average over 840 between 2014 and 2016, has confirmed its position on the global prime-residential stage, and only a lack of available prime stock is limiting growth in transactions.

Key topics

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A winning performance

Find out why Melbourne sits in the top eight of Knight Frank's Global Cities Index for prime residential property
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In good company

As a place to both live and invest, Australia's second city is an attractive proposition
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A city on the move

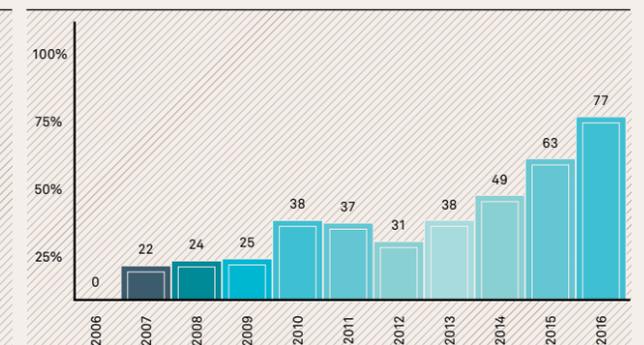
Infrastructure improvements taking place across Melbourne are opening up new areas for residential and business use
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PRIME MELBOURNE SALES VOLUMES: 2011–2016 (AU\$3M+)



CUMULATIVE PRIME PROPERTY VALUE INCREASE 2006–2016

Data to December



A winning performance

The prime-residential property sector in Melbourne is continuing to experience impressive price growth

A severe lack of prime residential supply, strong population growth, favourable domestic economic conditions and a commitment to new infrastructure projects are all contributing to upward pressure on pricing in Melbourne. After a long period of negligible growth across the city, the past four years have seen prices begin to catch up with, and surpass, other global destinations.

Along with Shanghai, Beijing, Guangzhou, Seoul, Toronto and Vancouver, Melbourne now sits in the top eight of Knight Frank's Prime Global Cities Index (out of 40 cities) for annual prime residential market performance. Sydney ranks seventh. Both cities recorded over 8% annual price growth for the sixth consecutive quarter to Q4 2016, making Australasia the strongest-performing region in the world, at 9.1% annual growth in 2016, comparing well with the next best performing region, North America at 6.6%.

In the 12 months to the end of 2016, Melbourne prime residential prices increased by 8.8%, and grew by 35.1% over the past four years. Outside of Australia and China, and across Knight Frank's benchmark global cities, only



ALAN BAXTER/GETTY IMAGES

Vancouver and Los Angeles recorded stronger prime residential price growth than Melbourne since 2012, increasing by 61.4% and 36.1% respectively.

Placing Melbourne's notable price performance into a broader context, the Knight Frank Prime Global Cities Index has consistently recorded annual average growth across all cities of between 3.6% and 5% since midway through 2014. New regulation, in the form of taxes and fees for foreign purchasers, is increasing in a number of locations across our index. The impact, although dependent on specific market fundamentals, is restricting overall global price growth.

Despite this recent outperformance, Australia's global gateway cities remain relatively affordable on a comparative basis. Knight Frank's global research into the amount of prime residential property

(in square metres) that US\$1m will buy in cities around the world shows Monaco is the tightest, with our generous budget stretching to cover only 17 sq m, followed by Hong Kong at 20 sq m, New York at 26 sq m and London with 30 sq m. In Sydney, lower base pricing means our budget stretches to 59 sq m. However, prime Melbourne is larger again, covering an area close to 110 sq m (down from 116 sq m in 2015) – equivalent to around six times the accommodation size that can be purchased in the world's highest-priced cities. For super-prime Melbourne apartments – broadly defined as the top 1% of the market and generally considered as those apartments with premium views, specifications and amenities, in the most prized locations – actual sales evidence shows this figure ranges from 60 sq m to 85 sq m. But this

PRIME GLOBAL CITIES INDEX

Prime residential cumulative price performance 2013 – 2016

Country	Location	2013	2014	2015	2016
	Melbourne	5.4%	13.5%	24.2%	35.1%
	Sydney	3.5%	15.6%	33.4%	45.8%
	Singapore	15.7%	-3.0%	-5.0%	-1.7%
	Hong Kong	-2.2%	0.6%	-3.1%	-1.0%
	Los Angeles	17.7%	23.3%	29.2%	36.1%
	Shanghai	6.1%	5.7%	20.6%	53.6%
	Beijing	17.1%	16.5%	37.4%	74.2%
	London	7.7%	13.2%	14.3%	7.1%
	Vancouver	5.3%	13.2%	40.9%	61.4%

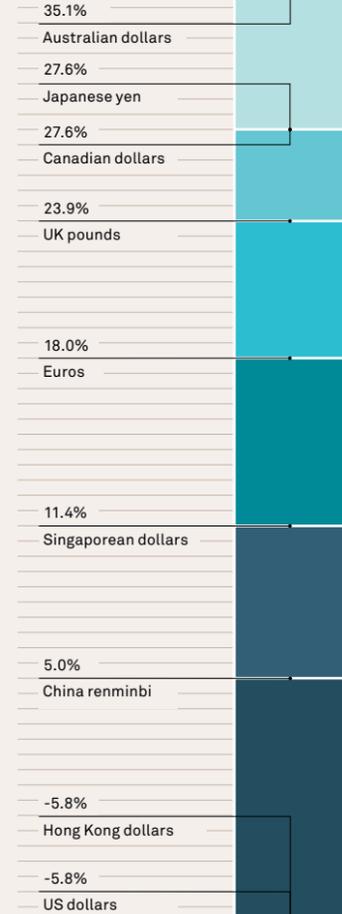
Source: Knight Frank Research

Demand for prime residential property in Melbourne is on the rise

CURRENCY MATTERS

Over the three years in which Melbourne's prime residential growth has totalled 35.1%, the performance of global currencies against the Australian dollar has influenced relative price growth for different nationalities using foreign currencies to fund their purchases.

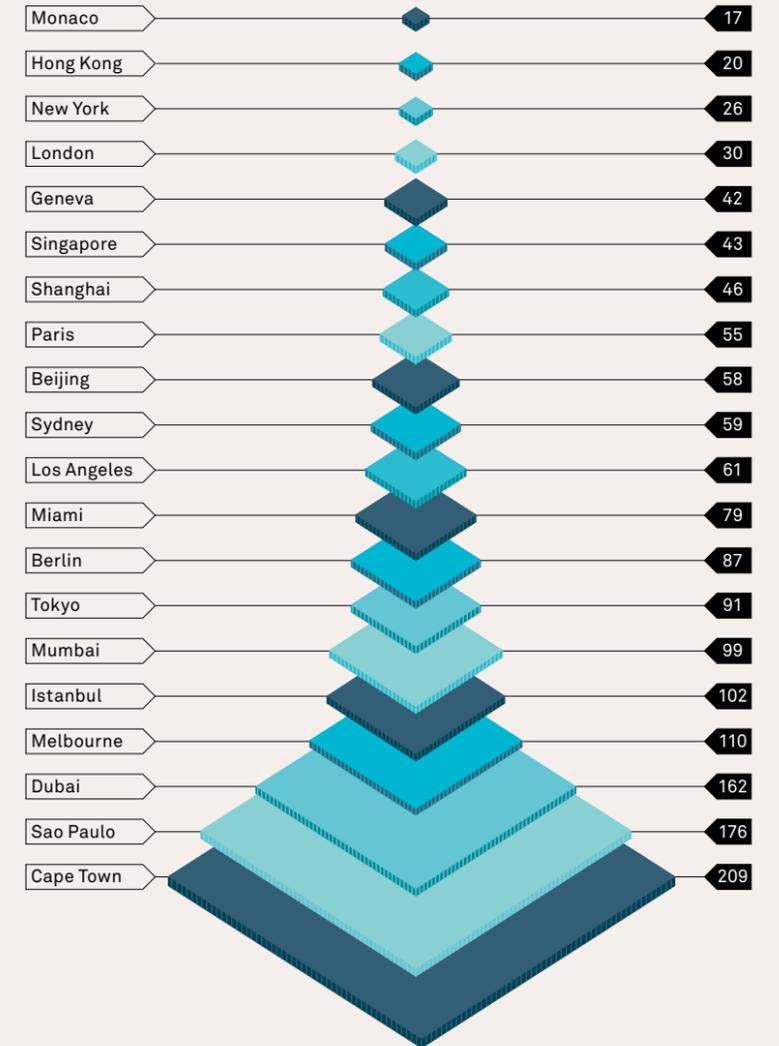
Three-year prime Melbourne residential growth



Source: Knight Frank Research

THE NUMBER OF SQUARE METRES US\$1M WILL BUY IN...

Based on prime residential prices as at December 2016



Notes: Price ranges for Hong Kong, Beijing and Shanghai are for properties considered "super-prime". Prices used in the calculation for Hong Kong are based on apartments only. All currency calculations are based on the prevailing rate on 30 December 2016.

Source: Knight Frank Research, Douglas Elliman/Miller Samuel

is still up to 45% more than the amount of prime residential space one can buy in Sydney, and over three times the amount that can be purchased in the highest-priced global cities.

Knight Frank has also calculated the adjustment in value for international purchasers by combining changes in prime residential prices with currency movements. There are two angles from which to consider the data. Firstly, from those who have already purchased and, secondly, those who are prospective buyers. For an investor or owner-occupier

from the US or Hong Kong, Melbourne prime residential prices have decreased by 5.8% over the past four years, when factoring in currency movements to the end of December 2016, despite strong local price growth.

For those buying with Chinese Renminbi, the relative price of Melbourne prime residential property has increased by 5.0% compared with the same period in 2012. For those who purchased with Sterling or Singaporean dollars, the price of Melbourne prime residential property has risen by 23.9%, or 11.4% over the

recent four-year period.

Investors who purchased five years ago may not have realised any true or significant price growth. However, for those looking to purchase in this current phase, using any of the above currencies, the prime Melbourne outperformance over the past five years has effectively been eroded by a weakening of the Australian dollar. If the US dollar edges higher, and currencies closely linked to it follow, demand for prime residential property in Melbourne has the potential to increase further.

In good company

An influx of global companies has helped put Melbourne on the map as a desirable place to live and work

Melbourne is a flourishing and rapidly growing city. At the last official count, the Greater Melbourne area in the state of Victoria has a resident population of 4.53 million, rising 2.1% per annum over the past decade – a higher pace than the 0.65% per annum increase recorded on average for all countries in the Organisation for Economic Co-operation and Development over the same period.

It is Australia's fastest-growing capital, adding 91,600 residents in 2015, accounting for 28.9% of the national increase. Victoria also saw the largest increase in net interstate migration in the 12 months to June 2016, and the state's biggest gain on record, registering 16,700 new arrivals, increasing employment levels and supporting housing demand.

◆ ◆
Melbourne is Australia's fastest-growing capital – it could overtake Sydney as the country's largest city by 2030
 ◆ ◆

Melbourne could overtake Sydney as the largest Australian city by 2030. The Australian Bureau of Statistics predicts the number of Greater Melbourne households will reach 2.24 million by 2030, growing at 1.9% per annum. This rate equates to a need for approximately 38,000 additional new residential dwellings per year.

The Victorian state economy has experienced strong growth over the past decade. The economy is larger than Singapore, New Zealand and Hong Kong, accounting for almost a quarter of national GDP in 2014/15. Over the past 12 months, employment growth was largely driven by health care, construction, education and professional services sectors. The rise has been consistent with

EUROPEAN COMPANIES WITH THEIR AUSTRALIAN HEADQUARTERS IN VICTORIA
GlaxoSmithKline
SABMiller
BASF
Bosch
Siemens
Glencore Grain
US COMPANIES WITH THEIR AUSTRALIAN HEADQUARTERS IN VICTORIA
Cargill
Boeing
ExxonMobil
Eventbrite
Mars
Mondelez
ASIAN COMPANIES WITH THEIR AUSTRALIAN HEADQUARTERS IN VICTORIA
Qenos Holdings
Toyota
Asahi Breweries
AIA
CITIC Resources
MTR Corporation

Source: Invest in Victoria



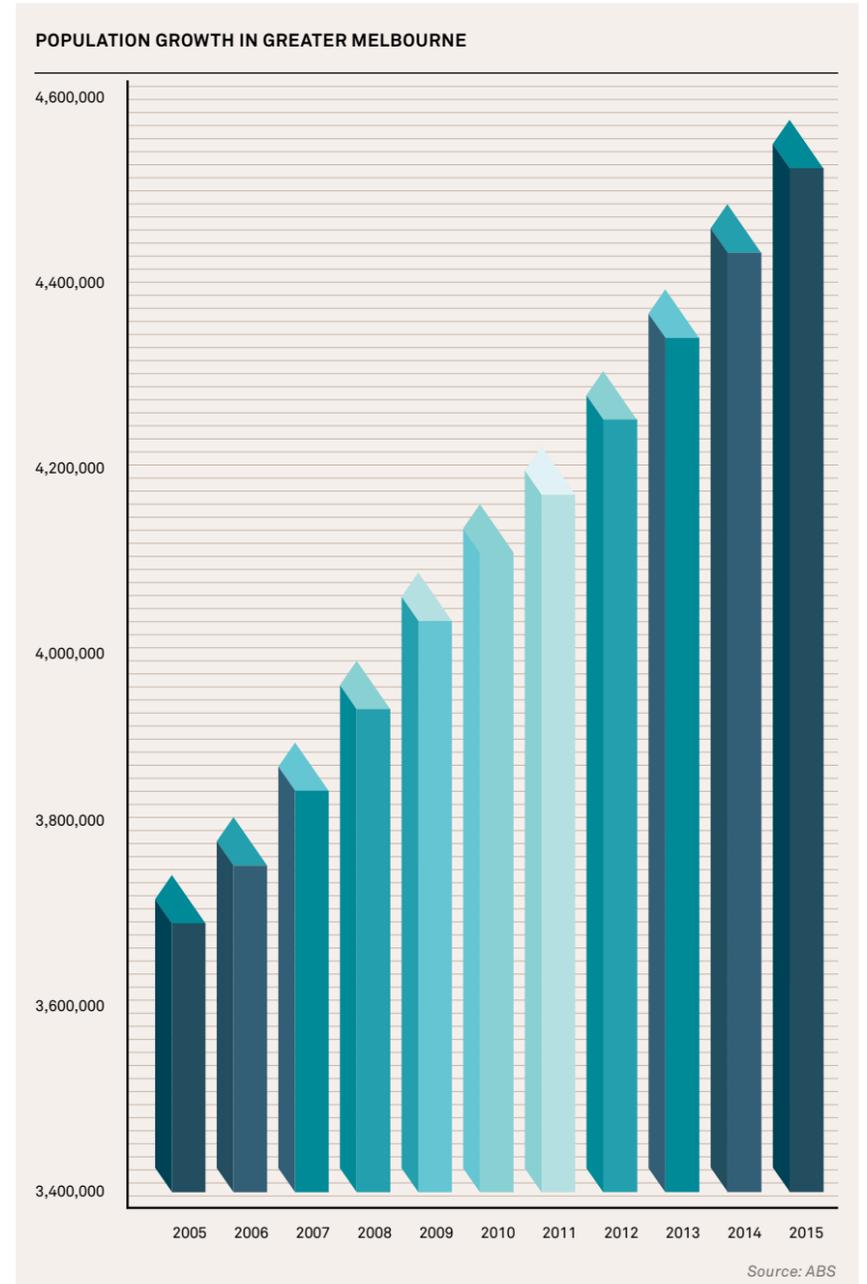
Melbourne's strong business and transport links are resulting in a significant increase in population

a rebalancing of growth towards services, with employment growth running at 2.6% across Victoria.

Five of the top 10 (by market capitalisation) of Australia's top 100 companies have their headquarters in Melbourne. These companies are leaders in their fields, and include BHP Billiton, ANZ, CSL, NAB and Telstra. Melbourne's reputation as the nation's centre for business, shopping, fashion and fine food, has been confirmed with David Jones a major national fashion house set to establish its APAC HQ in Melbourne, uprooting from Sydney. The move will see the company make a \$240 million investment in Victoria underwriting a major expansion of the company.

Companies from all over the world, including numerous technology companies, have celebrated success in Melbourne. Amazon, Facebook and LinkedIn are among the latest global brands to lease space in the Melbourne Central Business District (CBD), and are part of a wave of technology companies seeking office space in the city. In 2005, technology companies occupied 120,000 sq m of CBD office space; today, this has increased to almost 200,000 sq m. The CBD office market was the best performing office market nationally over the six months to January 2017, recording net demand (110,000 sq m) of more than three times its historical average.

The lure of Melbourne as a place to live and establish a business has been further heightened by the Victorian state



THE AGE/GETTY IMAGES; IAIN MASTERTON/ALAMY

government's commitment to delivering a new AU\$10.9bn underground, high-capacity rail line servicing Melbourne's city centre and adjacent education, health and research precincts. The new Melbourne Metro Rail line will include a 9 km twin rail tunnel from the south of the city through to the University of Melbourne and health precinct in the north. The project will include five new and expanded underground stations.

The attraction of Melbourne to homeowners and investors has not been dampened by the state government's decision to revise taxes applicable to foreign purchasers, including those buying in the city. These taxes (duty

surcharge on foreign investors at 7% and an annual land tax surcharge on taxable value of 1.5% for those classified as an absentee person) are in addition to the recently introduced application fee payable to the Foreign Investment Review Board, as well as standard local taxes for purchasing and holding a property in Australia.

The new rules and taxes implemented by the federal government are designed to encourage direct investment into new housing, to increase supply and support local economic activity. Evidence suggests that foreign investment has not been deterred as the majority of buyers investing in Australia are looking for a longer-term return with lifestyle benefits.

Where the smart money's going

Serious foreign investors have been lured to Melbourne because of its reputation as a business city on the global stage

Despite significant challenges across global economic markets over the past decade, wealth creation has remained strong in Australia and in Melbourne, in particular, with an improvement in the labour market towards services.

The latest data on high net worth individual (HNWI) migration confirms the strong attraction of Australia as a destination. Sydney (+4,000) and Melbourne (+3,000) top the list of HNWI growth markets, recording a 4% annual increase. The list of global cities seeing an outflow of wealthy individuals is topped by European centres, with Paris and Rome seeing outflows of 7,000 and 5,000 HNWIs respectively over the past year.

According to data from New World Wealth, published by Knight Frank in The Wealth Report, the number of ultra

high net worth individuals (UHNWIs) – those with US\$30m+ in net assets – living in Melbourne increased by 12% between 2015 and 2016. This is impressive when compared to competing global cities Beijing (10%), Hong Kong (6%), Singapore (6%), London (-5%), New York (6%) and Los Angeles (5%).

Comprehensive global wealth creation is forecast to continue, albeit at a slightly slower pace, with Melbourne expected to see growth of 70% in its UHNWI population by 2026. This is above the figure projected for Australia, as the nation nears the end of the resources-led growth it has experienced in the past 10 years. Despite the pace of UHNWI growth slowing, Melbourne and Australia boast the highest growth forecasts of all developed cities and nations.

Mainland China has seen enormous

wealth creation over the past 10 years, with the number of UHNWIs growing by 281%, and expectations of further growth of 140% by 2026. Winston Chesterfield, of leading wealth research house Wealth-X, sees this as an opportunity for Australia: 'If the Chinese economy continues to be strong, we'll see further wealth growth in both the HNWI and UHNWI populations at significant levels in China. Australia's proximity to China means HNWIs can still manage their business interests in their home country from an Australian base. Education, lifestyle and tax advantages are additional factors.'

As the global economy continues to grow at a more moderate pace, China's economic performance is forecast to outpace most advanced economies, and wealth preservation will therefore grow in prevalence. Wealth-X points out that



REX/SHUTTERSTOCK; LUCAS DAWSON PHOTOGRAPHY

Melbourne has been on the up since the global financial crisis



The University of Melbourne is a significant draw for overseas students

'Certain universities are particularly popular among the UHNW community. Many UHNW alumni of these universities are born outside the country, indicating that these institutions, based on their solid reputations, are able to attract students from around the world. The University of Melbourne ranks as number three among Asia-Pacific UHNW undergraduates.'

Source: Wealth-X World Ultra Wealth Report

succession and inheritance issues and taxes, are major areas of concern for rich families. However, Australia's favourable tax regime will heighten prospects. Chesterfield says: 'Australia has certain tax advantages, particularly for HNWIs and UHNWIs passing on wealth, for example. Australia has no inheritance or gift tax, with all states also abolishing in 1979 what were known as death duties. This is in direct contrast to other OECD countries, where inheritance tax is rather punitive.'

Melbourne offers a very attractive lifestyle, with a strong cultural element. 'Plus,' says Chesterfield, 'as a global city, it's on the lower end of the density scale, providing relative serenity to the wealthy, who are often accustomed to living in densely populated cities. It also enjoys a relatively balanced climate, comparable to Europe's, so investors see this as a familiar but easier way of life.'

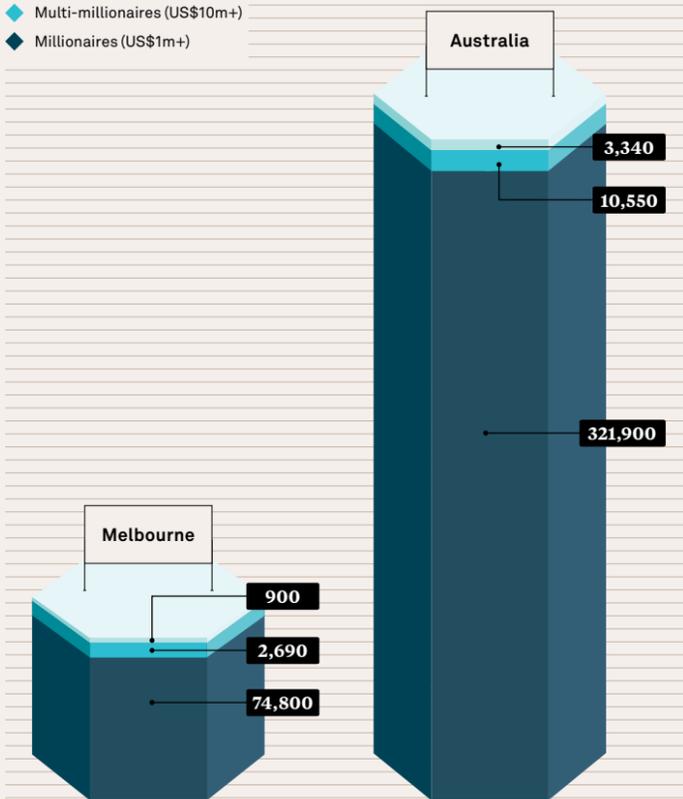
In addition, Melbourne has a deeply embedded, serious-minded culture with a strong business focus, making it attractive to investors. According to research by Wealth-X, 'It's positioned as a business city on the global stage, one which is functioning, growing environment that welcomes foreign investors. 'It is attractive to set up business here and there is a talented, dynamic, educated young population with improving intellectual capital.'

Finally, foreign UHNWIs have been buying and investing in Australia since the global financial crisis – a sign of confidence in the underlying economy.

NUMBER OF MILLIONAIRES, MULTI-MILLIONAIRES AND UHNWIS

KEY

- ◆ UHNWIs (US\$30m+)
- ◆ Multi-millionaires (US\$10m+)
- ◆ Millionaires (US\$1m+)



Source: New World Wealth / Knight Frank Wealth Report

Fishermans Bend will undergo huge changes over the coming years, with residential and office developments taking shape

A city on the move

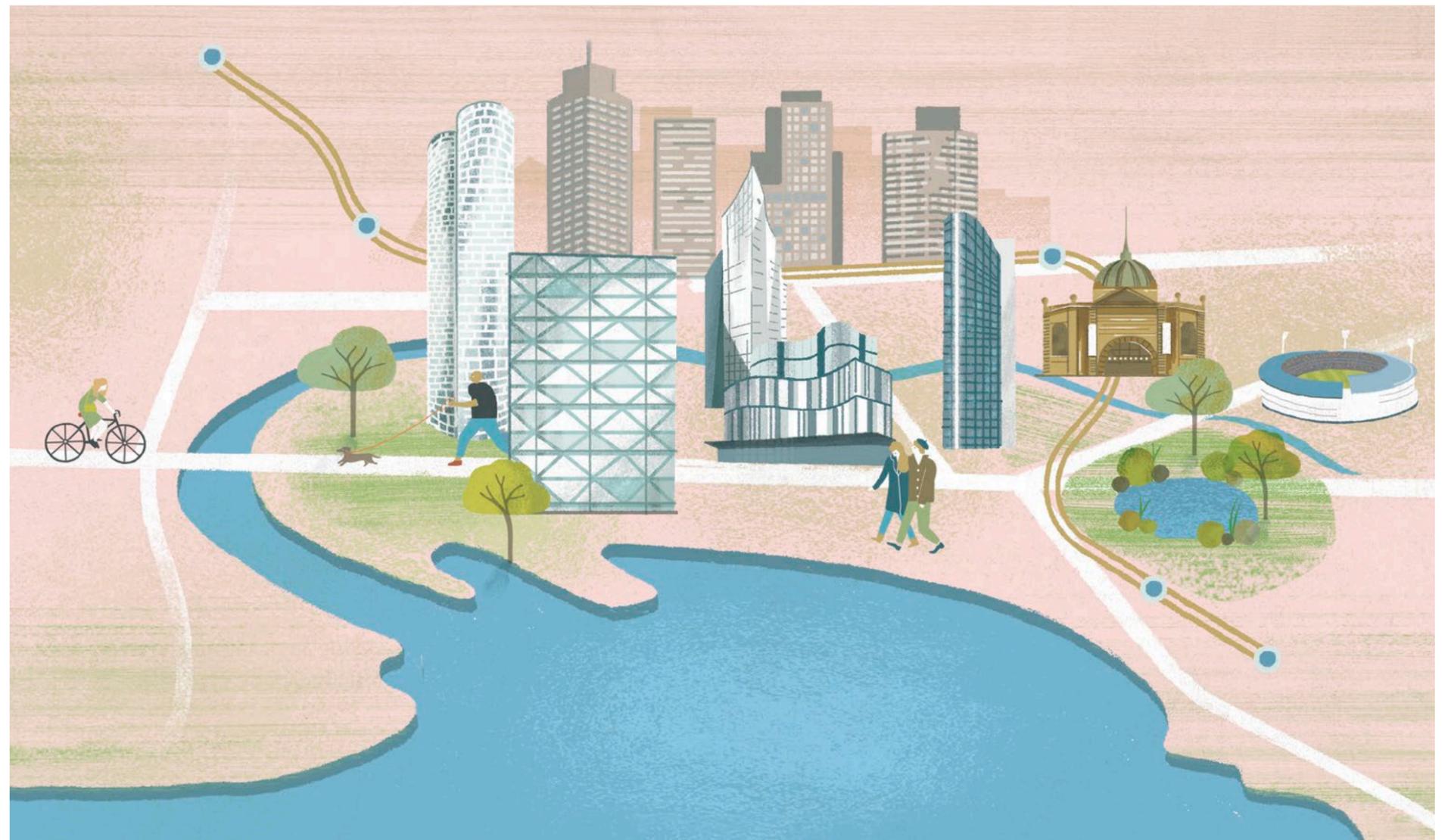
Dynamic new infrastructure is creating exciting opportunities and changing the way residents will live, work and play

According to The Economist Intelligence Unit's Global Liveability Ranking, those living in cities with better connectivity have a better standard of living. In the 2016 report, Melbourne again received a perfect 100 for its infrastructure. The score takes into consideration a number of indicators: quality of road network, public transport and international links.

To help retain Melbourne's status as one of the world's most liveable cities, the Victoria state government has committed to improving its already world-class transport system. The Metro Rail project, the core of the infrastructure strategy, will deliver two 9 km rail tunnels from South Kensington to South Yarra, travelling beneath Swanston Street in the central business district (CBD). The new underground system will include the development of five new and expanded

stations – at Arden, Parkville, Domain – and two new city stations (CBD North and CBD South) that will be directly connected to Melbourne Central and Flinders Street. Domain will be an important interchange point, and will improve access to existing business precincts and growing residential areas such as St Kilda Road and Southbank.

The aim of the project is to increase the capacity, reliability and efficiency of Melbourne's busiest train lines to allow for 39,000 more passengers to use the metropolitan rail network during peak hours. The new stations will help ease congestion and improve access to public transport, employment, education and opportunity throughout Melbourne's inner-city growth areas. Construction will commence in 2017 and be completed and operational by 2026.



A bright vision for the new Parkville Metro station

In addition to the rail project, the Victoria government recently allocated funding for the removal of 50 level crossings across Melbourne. This will transform the way people travel across the metropolitan area, while also improving safety for both drivers and pedestrians. The crossings are considered dangerous and/or congested, and at least 20 of them will be removed by 2018, with the Victoria government having allocated AU\$2.4bn in its 2015/16 budget for this purpose.

These infrastructure improvements are opening up new areas for both residential and employment uses across Melbourne. Situated in the heart of the city, the Fishermans Bend industrial precinct is an unparalleled urban-renewal opportunity – a project akin to the redevelopment of Barangaroo in Sydney, and global benchmarks such as Nine Elms/Battersea and King's Cross in London, or the 1,000-acre Innovation

District in Boston, US. Fishermans Bend is 1,125 acres in size – an area more than twice the size of the city's CBD – and stretches along the Yarra River from Port Melbourne to Southbank.

Often described as the next chapter in Melbourne's growth story, it will support an estimated 60,000 jobs and a range of well-serviced, high-density housing options for an eventual 80,000 people. It is anticipated that the new urban-renewal precinct will become a world-class location for technology, education and research – jobs that will become an integral part of Australia's service economy. Desirability and value-uplift of immediately surrounding areas, such as Southbank, should benefit from the regeneration project.

In London, the Northern Line rail extension was a game-changer for the redevelopment of Nine Elms/Battersea, as the new connections were a crucial component to the area's desirability,

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Domestically and globally, former industrial sites are being redeveloped to expand city centres, and these new areas have become popular as places to both live and socialise
 ◆ ◆

viability and future longevity. The authorities in Melbourne have revealed that the Parkville interchange being built for the Melbourne Metro rail project is being designed to also serve a future Metro2 link. Provisions are being made to enable the station to service a new link that will run between Fishermans Bend and Clifton Hill, increasing the connectivity of the precinct.

Melbourne requires more business space, homes and amenities if its economy and population are to continue to grow in accordance with current projections. Domestically and globally, former industrial sites are being redeveloped to expand city centres, and these new locales have become popular as places to both live and socialise. Melbourne is certainly benefiting from this urban development trend, and new transport solutions should help support its growth potential.



Key topics

01

Five-star fare

So stratospherically sophisticated is the food scene in Melbourne that in 2017 it hosted the prestigious World's 50 Best Restaurants awards → page 14

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Place making

Be it a cutting-edge residential design or a handsome heritage property, Australia's second city offers a plethora of choice → page 18

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The wild side

Little more than a boomerang's throw from central Melbourne lies the most awe-inspiring scenery and its famous indigenous wildlife → page 24

The world's most liveable city

Being named the world's most liveable city once is a remarkable achievement. But receiving the title six years in a row is truly extraordinary – especially when the honour has been accorded by The Economist Intelligence Unit.

The Global Liveability Ranking rates cities' success across 30 areas, including environment, education, healthcare, safety, stability, public services and infrastructure. In 2016, Melbourne again scored an astonishing full marks in three of those – healthcare, education and infrastructure – and 97.5/100 overall.

A city on the doorstep of Victoria's natural beauty and abundant wildlife, it's home to some of the highest performing

schools and universities in Australia, an exciting cultural and restaurant scene, extensive and efficient public transport and admirable healthcare. It's a compelling combination of factors.

While Melbourne has the edge, it faces competition for the crown from its South Australian cousin Adelaide – which has been ranked fifth since 2012 (in fact it tied with Calgary, Canada, for equal fifth this year). Meanwhile, on the other side of the country, Perth also made it into the top 10 again.

Over the following pages, we explore Melbourne in all its breadth, revealing some of the most exhilarating things the city has to offer.

Five-star fare

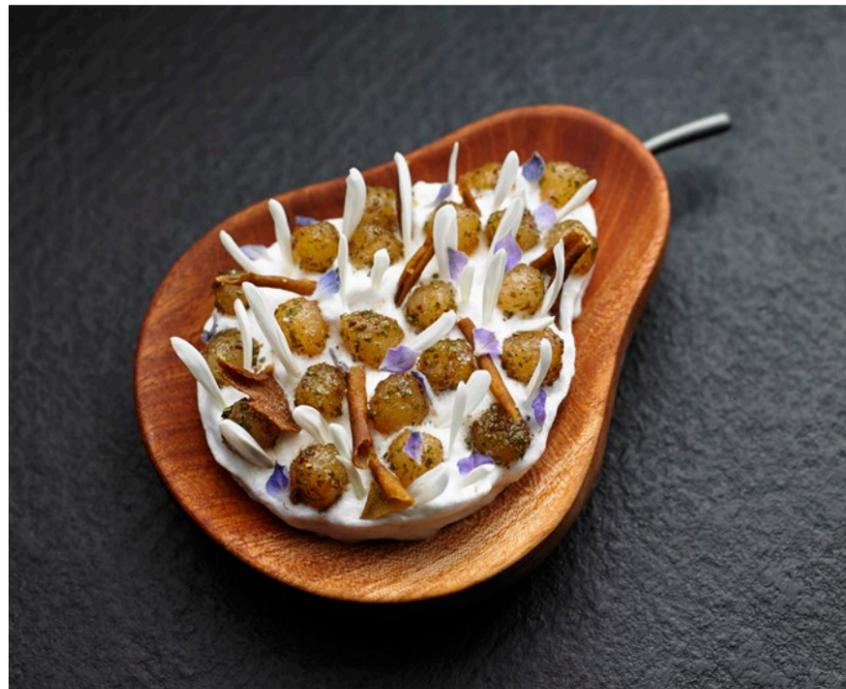
Australia's second-largest city is a gastronome's delight, with phenomenal food from right across the globe – not to mention the best coffee anywhere

STEFAN CHOMKA
EDITOR, RESTAURANT MAGAZINE

Canberra may be the capital of Australia, and Sydney the country's top tourist destination, but if it's a vibrant, diverse dining scene you crave, there's only one place to find it: Melbourne.

Home to the Melbourne Food and Wine Festival, which attracts some 250,000 visitors each year, Australia's second city has become a global food hotspot. So much so that in 2017, it hosted the prestigious World's 50 Best Restaurants awards, making it only the third city after London and New York to be granted the honour in the awards' 15-year history. In April, it welcomed culinary colossi from around the world and, for a time, was the epicentre of global gastronomy.

But what is it that makes Victoria's capital city so special when it comes to food? Well, Melbourne's strength lies in its diversity. It has one of the largest Greek-speaking populations outside of Europe and is also home to large Vietnamese, Indian, Sri Lankan and



Pears in Maidenii vermouth at Attica, named Best Restaurant in Australasia

Malaysian communities, all contributing to the city's food scene. And yet there's more to Melbourne than demographic and culinary diversity. Over the past few years, it has overcome second-city syndrome and stepped out of Sydney's shadow. With its mix of Victorian and modern architecture and an edgy feel, it is now regarded as the more sophisticated and iconoclastic alternative to Sydney, attracting a young hipster population in the process. And hipsters like to eat well.

Take Lûmé, which opened in 2015 in a terraced house in south Melbourne that was formerly home to a burlesque club. Here, chef Shaun Quade serves a multisensory tasting menu of unusual ingredients – think cow's udder, cured emu and calamari entrails. This really epitomises the city's current food scene: innovative, confident, artful and quirky.

Then there's Bar Liberty in Fitzroy – a new-wave wine bar where the bottles are wheeled around in an old-fashioned globe, and the BLT has become the GLT, with bacon replaced with gribenes, aka Jewish-style fried chicken skin. It shouldn't work, but in this super-cool suburb, it really does.

However, while new restaurants are regularly launching, the city's dining scene isn't reliant on the latest trends. Flower Drum, in central Melbourne, for example, has stood the test of time since 1975, when it opened to give Australians an authentic taste of Cantonese food, but with a local accent. Dishes such as double-boiled wallaby-tail soup, wild barramundi noodles and Robbins Island Wagyu-beef cheek grace the menu at this well-loved urban institution.

No culinary visit to Melbourne would be complete without a visit to chef-patron Ben Shewry's Attica, in Ripponlea, which is currently ranked 33rd on the World's 50 Best list and has been named Best Restaurant in Australasia. New Zealander Shewry may technically be an outsider, but he has left an indelible mark on the city's food scene, not just with his cerebral cuisine that references its location – his signature dish is salted



The atrium at Lûmé, which serves an innovative multisensory tasting menu

raw red kangaroo with bunya bunya nuts – but through his tutelage. In 2016, ex-Attica chef Peter Gunn opened his solo venture Ides, in Collingwood, which was named one of Melbourne's best new restaurants by *Time Out*.

Tuck Shop Take Away is run by another Attica alumnus, Clinton Serex, along with his wife Karina, who trained as a pastry chef at The Fat Duck. This unassuming cafe in Caulfield North serves peerless jaffles (Aussie speak for a toasted sandwich) as well as brilliant burgers (tip: order the off-menu Bully).

If drinks are your thing, Melbourne's burgeoning bar culture is worth staying up for. If you can find it (it's hidden behind a sign-free door) Eau-de-Vie serves some of the best cocktails in the city. Its 200-strong whisky selection also doesn't disappoint – and yes, Australian varieties do feature. Working your way through that alone will keep you busy.

TOP FIVE COFFEE SHOPS

- 1. Market Lane Coffee**
With five locations, this boutique roastery and cafe is a leading light in the city. marketlane.com.au
- 2. Dead Man Espresso**
Using Melbourne's best roasters, Dead Man serves ace coffee and great food. deadmanespresso.com.au
- 3. Sensory Lab**
For third-wave coffee geekery, head to this hot spot on Bourke Street. sensorylab.com.au
- 4. League of Honest Coffee**
Chemex brew is a speciality at this cool cafe, situated on Exploration Lane. leagueofhonestcoffee.com.au
- 5. Brother Baba Budan**
Named after a 17th-century Sufi, this venue makes its coffee using an AeroPress. sevenseeds.com.au

◆◆
In 2017, Melbourne hosted the prestigious World's 50 Best Restaurants awards, making it only the third city after London and New York to be granted the honour
◆◆



Market Lane Coffee, on Collins Street, which has its own roastery

RESTAURANTS



ALISA CONNAN

Dinner date

For his first permanent restaurant outside the UK, Heston Blumenthal chose Melbourne – a going-places city for a forward-thinking chef

For proof that Melbourne is now recognised as a top culinary destination, look no further than Heston Blumenthal's decision to temporarily relocate his famous UK-based restaurant The Fat Duck to the city in 2015.

The six-month pop-up saw the molecular wizard recreate The Fat Duck's brilliantly bonkers cuisine for a new audience, serving much-talked-about dishes such as sound of the sea, hot and iced tea, and snail porridge, for which he scoured the continent for the right kind of snails (ultimately unsuccessfully).

Yet it's what followed that really shows the chef's love for Melbourne, with the opening of an outpost of his multi-Michelin-starred Dinner by Heston Blumenthal in the city's Crown Towers. That he opted for Melbourne over the more obvious choices of New York or Dubai speaks volumes.

At Dinner, rather than produce facsimiles of his well-rehearsed dishes as he did with his Fat Duck pop-up, Blumenthal has embraced Australia's rich bounty of ingredients and woven them into the tapestry of his menu. Thus, his rice-and-flesh dish in Melbourne features curried kangaroo tail in place of calf tail; his savoury porridge replaces the frog's legs of the London menu with abalone; and roast groper is substituted for turbot.

Melbourne is a fitting place for the chef's hyper-experimental cooking. Indeed, he ranks it alongside New York, Paris, London and Tokyo as one of the top cities for food, drawn, he says, by its multicultural nature and energetic population.

Australia's somewhat out-on-a-limb location has led to outward-looking diners willing to devour new ideas and broaden their palates. And nowhere is this more apparent than here, in the continent's food capital.



Models backstage at the annual Virgin Australia Melbourne Fashion Festival

Melbourne à la mode

From fashion festivals to international luxury brands and independent boutiques, the city is one of the world's most exciting style destinations

KATRINA ISRAEL
FASHION FEATURES EDITOR, WALLPAPER

The sartorial divide between Melbourne and Sydney is one of the refined and urbane versus the relaxed and coastal. The former's fashion heart is akin to that of a European city: it's a cosmopolitan metropolis, with a cooler climate that encourages exceptional tailoring and luxurious outerwear.

Collins, Flinders and Bourke Streets – along with the smaller laneways that thread through the central business district and High Street Armadale – are where most of the international and local designer boutiques are centralised.

Headline style events surround March's Fashion Festival, a consumer-based programme that draws the whole

city in on the act, and the Spring Racing Carnival in November. Much of the city's fashion scene is geared towards this sporting event, with milliners Viktoria Novak and Nerida Winter specialising in avant-garde hats worthy of topping the carnival's Fashions on the Field accolade.

But when it comes to native talent, Scanlan Theodore is the place to shop. This fashion-forward institution does a polished, contemporary wardrobe like no one else. For directional tailoring and beautifully draped dresses, Toni Maticovski has long been the prince of the Melbourne fashion cognoscenti, the latter also earning him a big wedding business. Rebecca Vallance is another Victorian currently scoring points on

Hollywood's red carpets with her sophisticated spin on modern cocktail dressing and well-priced leather staples. On the accessories front, A-Esque fuses quality materials and artisanal craftsmanship with punchy branding.

Other Aussie names to track down at department stores David Jones and Myer include Ellery, NYC-based Tome, Dion Lee (for his precision tailoring and body-con dresses) and Kitx. Also add to the list Christopher Esber, Michael Lo Sordo and Bassike (a brilliant unisex denim and basics brand).

For a selection of the best international accessories, stop by multibrand emporium Miss Louise, concept store Le Louvre, and the more outré Marais. Those looking for something even more precious should drop into Paspaley, which specialises in the world's finest pearls, from Australia's Kimberley coast.

Let's not forget the boys: Melbourne's premier destination for a curated international buy and made-to-measure service with the likes of Tom Ford and Brioni is Harrolds. Nearby, local brand Calibre offers a more lifestyle approach, while Sneakerboy is renowned for its epic selection. After a tailoring experience with a difference? Head to P Johnson, which specialises in lightweight, unlined suiting perfect for warmer climates.

Then, all that's left to do is refuel – after all, Melburnians are as passionate about their food, wine and coffee as they are about fashion. Check out Chin Chin on Flinders Lane for starters.

◆ ◆
Melbourne's fashion heart is akin to that of a European city: it's a cosmopolitan metropolis, with a climate that encourages exceptional tailoring and luxurious outerwear
◆ ◆

Shop talk

James Kennedy, group CEO at Emerald Group Investments, explains how his past has informed the future of his luxury-retail business

Before entering the family jewellery business, I'd had a successful career in finance. I had worked on the shop floor of our Sydney store when I was younger, but it was the Basel watch fair that really opened my eyes to the industry.

At that time, LK Boutique was quite a simple business, with two stores and two brands – Patek Philippe and Rolex. Mum was still running the Sydney store and had been having conversations to open a new site in

Melbourne, so my plan was to move to the city and set it up. Then a new opportunity came along to open another store, at The Star casino in Sydney. That was the big change for me: all of a sudden it was two stores, and they opened a month apart. The end results solidified my relationship with the brands, which was important as I was so new to it all.

Diversification was key as the business evolved, not only in acquiring more brands, but in looking at other areas, too. Technology was first with Bang & Olufsen, and fashion was next – last December we launched a standalone Loewe store in Chadstone, Melbourne. I'm a big believer that luxury items are always quality products. My parents taught me the value of humility, and gave me the tools to run a successful business.

This page, from top
The 2016 Australian Open at the Rod Laver Arena in Melbourne; Run for it: the city's streets are an ideal place to start

A place for movers and shakers

Australians are known for their passion for healthy living. So it's no surprise Melbourne has some of the nation's best spas, wellness facilities and gyms

TALI SHINE
BEAUTY AND WELLNESS AUTHOR

Melbourne isn't just about eating, drinking and culture. Known as Australia's second city, Melbourne eclipses Sydney in terms of the number of professional sporting events it hosts – the Australian Open, Melbourne Cup, The Ashes and Formula 1 Grand Prix provide an enticing calendar for sports fans. And suited to a city with sport on its mind, Melbourne also has a wealth of spas, gyms and workout studios that creatively fuse different styles, meaning there's always something new to try. Hula-hoop training and paddle boarding, anyone?

The cityscape itself is replete with manicured gardens and parks, where



Melburnians take their morning and lunchtime jogs. Located in the heart of the metropolis, the 4 km-long Tan Track explores the King's Domain and picturesque Botanic Gardens. If you're feeling more ambitious, there is the 29 km (approximately four-hour) Capital City Trail, which has the added benefit of taking in all the city's landmarks along the Yarra River and Inner Circle railway. And there is a shorter option of cycling

the track from Southbank to Docklands, which passes through gardens, parks and alongside the Maritime Museum.

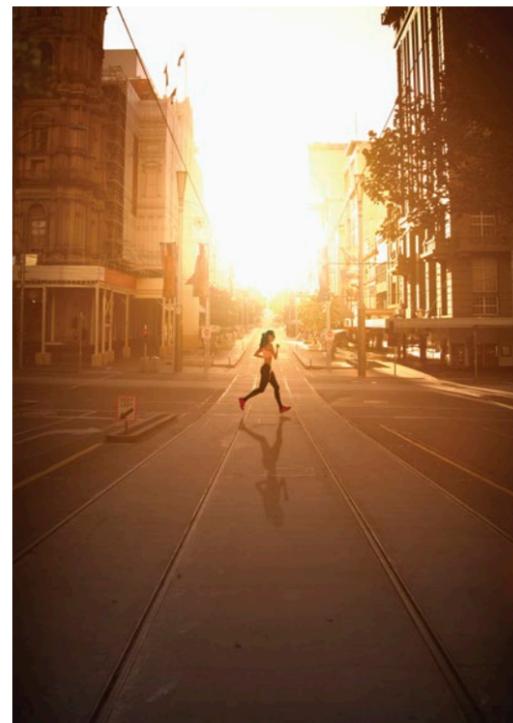
Fans of yoga can choose from many varieties throughout the city, including aerial, yin or hot yoga (try One Hot Yoga or Grass Roots Yoga). Yoga 213 offers fun, energetic classes that fuse power yoga with hip-hop or loud beats (exactly what you never knew you were missing).

KX Pilates and KX Barre classes in the city centre are *the* place for high-intensity, fast-paced, full-body-toning workouts that take just 50 minutes. Combining traditional reformer pilates with cardio and endurance training, as well as ballet-barre options, these classes are both enjoyable and effective.

After all that exercise, you'll need somewhere to soothe those tired muscles, and luckily Melbourne is also home to some of Australia's best spas. Natural products and innovative treatments are Melbourne's specialities, so why not take a dip in the natural mineral spa at Hepburn Bathhouse & Spa, or visit the eco-conscious Aurora Spa Retreat at The Prince hotel? Alternatively, check out the spas with the most breathtaking city views, such as Crown Towers and, its sister hotel, Crown Metropol, or the Chinese-inflected and luxurious Chuan Spa at The Langham.

And as for circus skills, the National Institute of Circus Arts is in Melbourne, where you can take a three-year degree in the subject if you wish. Or head to The Circus Spot for something more casual.

Whether you want to work up a sweat or just relax, Melbourne has luxurious, fun and creative options for everyone. All it takes is a spirit of exploration.



COLIN ANDERSON/GETTY IMAGES; KARON PHOTOGRAPHY; SAEED KHAN/AFP/GETTY IMAGES

MELBOURNE'S MAJOR SPORTING EVENTS

- 1. The Australian Open**
Every January, Melbourne plays host to one of the world's most prestigious tennis tournaments – Australia's Grand Slam.
- 2. The Australian Grand Prix**
The motor-racing circus comes to town in March for four days of high-speed action. Incredibly, Schumacher's 12-year-old lap record still stands.
- 3. The Melbourne Cup**
The 156-year-old, 3.2 km race is celebrated in style each November with family day, women's day and, of course, high-stakes racing.
- 4. Melbourne Cricket Ground**
This is the city's most lively sporting venue, hosting international test cricket (including The Ashes), one-day internationals, club and interstate competitions.

Place making

Proving that, if you build it, they will come, the city's architecture has created a stellar stage for business and culture

JONATHAN BELL
EDITOR-AT-LARGE, WALLPAPER

Although Australia's most recognisable modern building is in Sydney, Melbourne has always been at the centre of the country's architecture scene – a place where the grand corporate gesture adjoins the creative and the eccentric.

The likes of Denton Corker Marshall, Woods Bagot and John Wardle Architects have built extensively across the city, garnering global acclaim for buildings such as the Melbourne Museum and the Melbourne School of Design, with its soaring interior. Residential towers are also on the up, including Wardle's award-winning QV1 building and Fender Katsalidis's Australia 108 in Southbank, which, when completed in 2018, will complement the studio's Eureka Tower. Bates Smart's original proposal for the One Queensbridge tower (*opposite, below*)

was usurped by a new scheme by British architects WilkinsonEyre. Described by the firm as 'three interlocking plectrum shapes', the 325 metre structure will house almost 700 apartments and a 388-room six-star hotel, and have a public observation deck on its upper levels.

Closer to the ground, Melbourne has retained much of its architectural heritage, most especially on Collins Street, the city's main thoroughfare, where Victorian gems adjoin new

buildings. Locals Ashton Raggatt McDougall are the city's pre-eminent cultural architects, and their prominent suite of concert halls and theatres includes the Melbourne Recital Centre, MTC Southbank Theatre and Hamer Hall Arts Centre. All present a very Antipodean – some would say uniquely Melburnian – take on architectural deconstruction, with faceted forms, angular surfaces and a dense array of different colours and materials.

◆ ◆
Melbourne has retained much of its architectural heritage, most especially on Collins Street, the city's main thoroughfare, where Victorian gems adjoin new buildings
◆ ◆



The widely lauded Federation Square, planned by Lab Architecture Studio and Bates Smart, encapsulates the city's joyfully chaotic collage aesthetic. In a similar vein are the assemblage of fractal-inspired façades enveloping a new public space close to the railway station and CBD, and Lyons Architects' Swanston Academic Building – a pixelated riot that delights and confuses the eye with its proximity to other structures.

Small-scale works still find their way into the public realm, too. The temporary pavilion in Queen Victoria Gardens, created by British architect Amanda Leveté, arose out of the ongoing desire to commission one-off structures for entertainment and the arts in the park. The first was designed by Melburnian

Sean Godsell and the next will be built by acclaimed Indian firm Studio Mumbai. Melbourne's future as an architectural hotspot is set to continue with the future development of 600 Collins Street – a multi-use tower by Zaha Hadid Architects with 420 apartments set behind its fluid, lattice-like façade. Rising 178 metres above the popular district, it will be the studio's first project in the country.

As well as architecture's big guns, Melbourne is home to numerous small firms, and cutting-edge residential design flourishes in fashionable neighbourhoods such as Fitzroy North. Here, architecture practices the likes of Edwards Moore, Dan Gayfer Design, Andrew Simpson and Austin Maynard Architects all have burgeoning portfolios of modest yet

materially rich contemporary houses, and are reinventing the city's suburbs as a place of light, space and innovation – and garnering substantial international acclaim as they do so.

Melbourne looks set to add more architectural trophies to its skyline in the future, with approval recently granted for the 242 metre Jean Nouvel-designed tower at 383 La Trobe Street. Complex layered fenestration – part-inspired by the work of the great American architect Frank Lloyd Wright – will 'animate' the building for passing visitors, although the main structure follows the French architect's recent predilection for glassy austerity.

Another major project in the planning is the revitalisation of the Malt District – a former brewery site in the eastern district of Cremorne – with the prospect of a billion-dollar property overhaul courtesy of the aforementioned Fender Katsalidis. New housing, retail space and offices will share a site that mixes refurbished industrial architecture with new-build. Such big sites are few and far between, yet brim with potential in a city that still delights in the unconventional.

Clockwise from far left
The Royal Exhibition Building, built in 1880; Federation Square, a modern piazza that's become the heart of Melbourne; and an artist's rendering of WilkinsonEyre's One Queensbridge

High achiever

Property and finance writer Catherine Moye on the landmark development changing the skyline

When a city is as much on the rise as Melbourne, you have to be exceptional to stand out. That's why the planned 325 metre One Queensbridge – scheduled for completion in 2021 – is one of its most hotly anticipated developments. However, it stands out for far more than its height.

'If you stuck a pin right in the middle of the city's central leisure, corporate and cultural activity, this location would be it,' explains Paul Baker, director of WilkinsonEyre. 'It's brilliantly sited, looking north towards the city centre and south to the ocean.'

'A building's a complicated thing,' says Baker. 'We think about it being contextually appropriate, working within environmental constraints and how it relates to its neighbours.'

Subject to planning approvals, three dynamically interlocking towers encased

within one elegant glass shard will encompass a hotel, residences and a central core rising from a luxurious lobby brim-full of amenities. A walkway will link this to further entertainment facilities and restaurants in an existing complex owned by Crown Hotels.

The building's tapering form will slant upwards to a point, where the two side towers will stop. The central one will continue to form an impressive pinnacle. The angled panes of glass – some of them opaque to give the whole a ripple effect – will reflect city, sky and river, amplifying the eye-catching façade.

But it's not only generous on the outside – homes range from 90 sq m for a one-bedroom apartment to 230 sq m for one with three bedrooms. 'The idea is that you can live in a spacious environment more usually found in a country home, but within walking distance of everything Melbourne has to offer,' says Baker.

In short, One Queensbridge offers choice. Residents can use the development as a stage for enjoying the best the city has to offer, or simply relax in their spacious home, contemplating the breathtaking views below.



SCOTT BARBOUR/GETTY IMAGES; DP AUSTRALIA COLLECTION/ALAMY

Artful manoeuvre

Australia's second city it may be, but Melbourne long ago secured the right to call itself the country's capital of culture

JACQUIE BYRON
WRITER AND CREATIVE COMMUNICATOR

Melbourne's roots as Australia's artistic and cultural centre run deep. Well before the country's first significant influx of European settlers, the indigenous population was producing great works of art – a tradition that still flourishes today and forms an essential part of the city's vibrant cultural scene.

One of the most exciting ways to experience Melbourne's art history is to walk one of the Bayside Coastal Art Trails, which stretch the 17 km from Brighton to Beaumaris along one of the city's most picturesque coastlines. Here you can admire indigenous art inspired by the stories of Carolyn Brigg, an elder of the Boon Wurrung people, and gaze over the same landscapes that have inspired artists for centuries. The trail also affords the opportunity to admire the work of the Heidelberg School – the first significant artistic movement of European settlers in Australia, including work by Charles Conder, Frederick McCubbin, Arthur Streeton and Tom Roberts.

Back in the centre of Melbourne, Federation Square – an architectural statement in its own right – forms the anchor of the art scene. It houses the Ian Potter Centre – the National Gallery of Victoria's Australian collection, which includes a sizeable representation

of Aboriginal art – and the Australian Centre for the Moving Image. A gathering space and the location for many of the city's cultural festivals, Fed Square, as it's known, is the place to start an arts tour.

On the tree-lined boulevard that is St Kilda Road, across the Yarra river, is the country's oldest and largest museum of art, the National Gallery of Victoria. Beyond its striking moat are international blockbuster exhibitions and smaller, more bespoke offerings, as well as a permanent collection.

This is a glorious cultural precinct, dominated by the iconic spire of the Arts Centre, within which are a number of performance spaces, including Hamer Hall, the State Theatre, the Playhouse and the Fairfax Studio. Expect to see everything from Wagner's *Ring Cycle* or the Australian Ballet performing *Nijinsky*, through live music of all kinds, to an exhibition of Kylie Minogue's stage costumes.

Take a short stroll and you're at the Australian Centre for Contemporary Art (ACCA) – the only major gallery in the country that focuses on commissioning rather than collecting. The structure itself – a rusty steel façade designed by local architects Wood Marsh – hints at the exciting art experience awaiting inside. ACCA's nearest neighbour, the

Malthouse Theatre, is a contemporary drama-and-dance venue set within a renovated brewery.

Theatre remains a cultural mainstay for the city, offering both avant-garde and mainstream local and international productions throughout the year. The Melbourne Theatre Company and Southbank Theatre are both in the St Kilda Road precinct, while the grandes dames of the Victorian era are back in the CBD – the likes of The Regent, The Princess, The Comedy and Her Majesty's combine performance with pomp.

For live music, meanwhile, the Palais Theatre, Prince Bandroom, the iconic Corner Hotel, or the beautiful Forum Theatre in the centre of town are the places to head to. The last of these has a ceiling of twinkling stars and has played host to musicians as celebrated as David Bowie and Madonna. It is closed for refurbishment, but will be back – no doubt with a bang – later in 2017.

The independent gallery scene flourishes in Melbourne – drop by Fehily Contemporary, the Murray White Room, Anna Schwartz Gallery, Nellie Castan Gallery or Tolarno to see work from new and established local artists alike, including John Wolseley, Jon Campbell, Louise Hearman, Nicholas Mangan and Mirka Mora. Or, if authentic and ethically sourced and sold Aboriginal artwork and crafts from local makers is more your bag, visit Koorie Connections Altair or Flinders Lane Gallery.

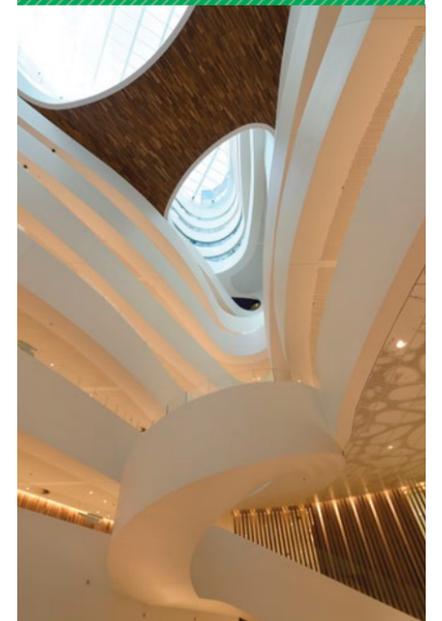
The very fact that one could go on ad infinitum listing the city's cultural hubs merely underlines its artistic credentials. From the vast, state-owned Melbourne Museum to the small, privately run Jewish Museum of Australia, each one challenges convention and stimulates conversation – which is precisely how Melburnians like it.

A CITY OF FESTIVALS

Melbourne has a reputation as a city of festivals, and justifiably so. During White Night in February, for instance, Melburnians in their thousands hit the streets to witness spectacular illuminations and performances. At other times of year, there are prestigious international festivals of comedy, film, jazz, flowers and gardens. The Melbourne Writers Festival is the star of the winter calendar. Other standouts include the world-renowned multi-arts Melbourne Festival, the Fringe Festival, and Midsumma, the annual LGBT celebration. The city's multicultural character is also reflected: the Chinese dragon dances his way through the streets at Chinese New Year, Greek food and heritage is celebrated every February, and cinephiles can indulge in weeks of Italian, Jewish and Scandinavian films in the winter.

Opposite and this page, from left The futuristic Edge Theatre at dusk; the state-of-the-art radiation-therapy unit at Melbourne Medical School

EDUCATION



Class act

Education plays a central role in Australia's prosperity, and Melbourne's schools, colleges and universities have reputations that more than speak for themselves

The city's standing as a centre of knowledge continues to grow, and the substantial population of local and overseas students now calling it home adds to its strong cultural and academic credentials. The influx of students from Asia and elsewhere has also energised and enlarged its dynamic food scene and increased social diversity.

Located in and around Melbourne is Australia's most respected university, some superb primary and secondary schools and a number of really innovative clinical and research bodies.

Two of the country's most influential tertiary institutions, the University of Melbourne and the Royal Melbourne Institute of Technology (RMIT), are to be found right in the heart of the city, on campuses that offer a rich mix of education, entertainment and sporting and dining facilities.

Established in 1853, the University of Melbourne is internationally recognised and research-intensive, and attracts students from more than 150 countries. RMIT is in the world's top-100 universities when it comes to electrical and mechanical engineering, accounting, finance, computer science and information systems.

Melbourne's Monash University is also highly regarded. A research institution with six campuses across Victoria and two more internationally, it is a member of the prestigious Group of Eight – an alliance of leading Australian universities.





Land of plenty

From the rugged beauty of the Grampians and Phillip Island to the soaring skyscrapers of the central city, Melbourne and its environs offer a lifestyle like no other

- 1. The Grampians
- 2. Hepburn Bathhouse & Spa
- 3. Melbourne Airport
- 4. Macedon Ranges Wine Region
- 5. 600 Collins Street
- 6. One Queensbridge
- 7. Crown Casino
- 8. Australian Centre for Contemporary Art
- 9. Laneways
- 10. University of Melbourne
- 11. 101 Collins Street
- 12. Melbourne Cricket Ground
- 13. Rod Laver Arena
- 14. Melbourne Grand Prix Circuit
- 15. Phillip Island
- 16. Great Ocean Road
- 17. Bells Beach



The wild side

From beautiful beaches and rugged ranges to curious-looking creatures, Victoria has natural wonders aplenty. Here are eight of the best

JAMES DRAVEN
TRAVEL EDITOR

THE GREAT OCEAN ROAD

Just an hour from central Melbourne, the Great Ocean Road snakes west along a shoreline that puts Italy's Amalfi Coast to shame. The improbable pillars of the famous Twelve Apostles limestone stack formations are among the many incredible sights that line the 240 km route, which also offers surfing beaches so spectacular that some visitors skydive above them to get the best views.

THE GRAMPIANS

A fantastic area for hiking, the majestic ranges of the Grampians offer a network of sylvan treks of varying lengths, rewarding climbers and walkers with local wildlife sightings, roaring waterfalls and ancient Aboriginal rock art from back in the days when this magical place was known as Gariwerd. Breathtaking trails often culminate on craggy escarpments that provide sweeping vistas of the verdurous Victoria Valley.

PHILLIP ISLAND

Famous for its twilight parade of little penguins marching homeward from the ocean each evening, Phillip Island, southeast of the city, also offers the opportunity to see one of Australia's largest wild colonies of fur seals. Seal Rocks is just over a mile from its rugged southwest corner, where tour boats drop anchor within yards of thousands of seals enjoying the sun.

GIPPSLAND LAKES

If being out on the water floats your boat, why not head to the Gippsland Lakes, the largest inland waterway system in Australia? Separated from the sea by the narrow strip of sandy dunes known as Ninety Mile Beach, the three interconnecting lakes – Victoria, King and Wellington – are a peaceful spot to fish or to hire a vessel and languidly bob past black swans and ponderous pelicans.



◆ ◆
Koalas, wombats and wallabies scarcely bat an eye as you pass by on mountain bikes, and you can ramble along shorelines so immaculate the sand squeaks underfoot
 ◆ ◆



Clockwise from opposite, far left The Twelve Apostles from the Great Ocean Road; the dramatic lookout from the pinnacle in Grampians National Park; painted huts on Brighton Beach; one of Wilsons Promontory's koala bears; Phillip Island's dramatic terrain

WILSONS PROMONTORY

About 200 km southeast of Melbourne, Wilsons Promontory – also known as The Prom – is an open-air menagerie of marsupials, where koalas, wombats and wallabies scarcely bat an eye as you pass by on mountain bikes, and you can ramble along shorelines so immaculate the rounded-quartz sand squeaks underfoot. A nature lover's nirvana.

MORNINGTON PENINSULA

Visit peaceful Mornington Peninsula, just an hour southeast of the city, to take a horseback tour along golden sands as turquoise waves lap at your steed's hooves. Riding tracks wind their way through both beach and bushland and conclude with you stepping your own feet into the geothermally heated waters of Peninsula Hot Springs.

PORT PHILLIP BAY

Pristine Port Phillip Bay is the place to slap on your snorkel and swim with some wonderfully weird weedy seadragons. Those looking for a close encounter with something a little less alien can take an award-winning marine-mammal eco-tour that offers small groups of visitors the chance to come face to face with wild bottlenose dolphins.

MURRAY-SUNSET NATIONAL PARK

Do not adjust your specs! Owing to a rare set of conditions, harmless algae in the lakes of northern Victoria's Murray-Sunset National Park release carotene into the water, turning the lakes flamingo-pink each summer. You needn't even stray that far from the city, though: since December 2012, the saltwater lake in Melbourne's Westgate Park has been putting on the same psychedelic display.



INGO DELAND/ALAMY; BOY-ANNPONG/GETTY IMAGES; PHILLIP MINNIS/ALAMY



Key topics

01

Immigration

An introduction to the Significant Investor Visa programme, and the reasons it's considered attractive
→ page 28

02

Tax

Bricks and mortar are a sound investment, but what are the possible tax implications?
→ page 29

03

Education

Whatever level of education you're considering, Melbourne boasts a world-class system
→ page 30

Meet the experts

Due to Melbourne's favourable market conditions in a global context, and the fantastic lifestyle on offer, it is no wonder more people are looking to buy property in what is officially the world's most liveable city. While the benefits are apparent, the implications of relocating to another city or country are numerous and sometimes perplexing. In this section, you will find the advice of experts in three areas vital to consider when relocating: immigration, tax and finance, and education. Having the insider knowledge of specialists could make a move much smoother.

Immigration-law specialist Teresa Liu of law firm Fragomen describes the various visas on offer to high net worth individuals (HNWI), and explains why

more people are choosing to move to Australia. George Pakis, director at Moore Stephens, the international accountancy and financial-advice specialist, gives an account of the various taxes and costs you should be aware of when buying property in Australia, and how these differ for non-citizens. Finally, education consultant Christine Jenkins, who was Principal of Korowa Anglican Girls' School for 12 years, assesses the Australian education system. Jenkins explains why Australia is increasingly attractive with HNWIs seeking to educate their children. She also lists the most highly regarded schools and universities, while considering the future of education and migration in Australasia.

Immigration

Teresa Liu is an immigration lawyer and partner with international law firm Fragomen



When moving to Australia, high net worth individuals (HNWI) would typically use the ‘Business Innovation and Investment Programme’, which was established in 2012. This visa includes four separate streams, the most popular of which is the Significant Investor Visa (SIV), open to people willing to invest at least AU\$5m in ‘complying significant investments’ in Australia.

The SIV is a four-year visa, the attraction of which, especially to people coming from Asia, is that there’s no age restriction or English-speaking requirement. The move to permanent-residency status is also substantially less onerous than under other visa streams.

In July 2015, however, the government made changes to what constituted ‘complying significant investments’ under the SIV programme. The intention was to drive finance away from passive investment such as government bonds and into more entrepreneurial sectors aimed at promoting economic growth.

Broadly speaking, this means a percentage (\$500k) of the AU\$5m now has to be invested in venture-capital firms or small private companies, and \$1.5m in emerging companies. The

remainder can be invested elsewhere.

From July 2015 until February 2016, only a handful of SIV applications were lodged and approved. That was because the changes happened suddenly, so the market has been playing catch-up. We have seen a significant pick up in interest as the market has adjusted and particularly since the middle of 2016. Between July 2016 and December 2016,



The SIV programme has historically seen double the number of applicants looking to migrate to Melbourne than to Sydney. This testifies to the city’s quality of healthcare, education, culture and environment



79 SIVs were granted under the July 2015 rules. But as of 31 December 2016, 1690 SIVs have been granted since the start of the programme in November 2012.

The SIV programme has historically seen double the number of applicants looking to migrate to Melbourne than to Sydney. This partly testifies to the city’s quality of healthcare, education, culture and environment. It is especially attractive to people from China, from where about 90% of SIV applications originate, closely followed by Hong Kong, Malaysia, Vietnam and South Africa.

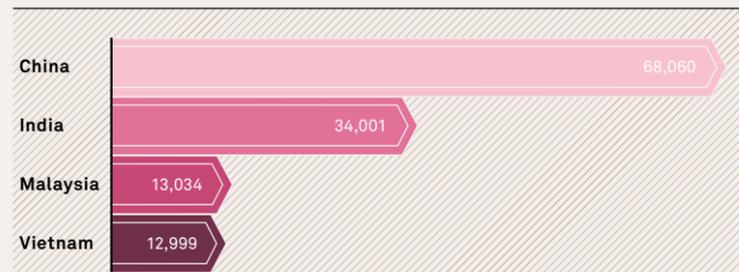
Substantial numbers of Chinese have been moving to Melbourne ever since the so-called Victorian gold rush in the mid-19th century. Many of the new migrants already have family here.

As far as Western Europeans are concerned, those HNWI’s looking to move to Melbourne do so for lifestyle reasons. It’s no accident Melbourne was named the world’s most liveable city for the sixth year running in 2016.

Applicants from Europe, especially the UK, are also attracted to the idea of dual citizenship, which is recognised by Australia. And in light of Brexit, we expect to see more applications from the UK.

VICTORIA'S INTERNATIONAL STUDENT POPULATION

Total number of enrolments, across all education levels, year to date



Source: Knight Frank Research, Department of Education & Training, November 2016

Tax

James Tng is a director at Moore Stephens, a taxation and business advisory service

Around 75 to 80% of the non-resident clients we work with are purchasing new residential property in Melbourne, rather than an established home. This is partly because the purchase of an existing home by non-residents is difficult and often not permitted by the Foreign Investment Review Board (FIRB). But the purchase of off-plan and new-build property is permitted. Another reason investors favour new builds is the considerable savings in stamp duty. In Australia, state and territory governments levy stamp duty, not the Federal Government.

In Victoria, stamp duty is calculated on a sliding scale from 1.4% for the first AU\$250,000 to 5.5% for properties over AU\$960,000. But when you buy off-plan, you pay stamp duty only on the land

component and not on its completed value. For example, if you buy on the 37th floor of a building, your land component is low, so you pay much less stamp duty.

This is especially significant now as the Victoria government charges foreign residents an additional levy on top of stamp duty; this rose from 3% to 7% on 1 July 2016. Only paying the extra 7% on a new build’s land component rather than the total value of an established home is more easily absorbed into purchasers’ cost structure. As a result, the apartment market in Melbourne has avoided some of the fallout of the stamp duty increase.

In March 2017, the Victorian government announced a stamp duty exemption for first owners buying property below AU\$600,000 and stamp

ESTIMATED PROPERTY PURCHASE COSTS

All costs represented in AUD

Purchase price	\$750,000
Stamp duty (off-the-plan discount)	\$20,050
Land transfer	\$1,400
Legal fee (includes GST payable)	\$1,500
Mortgage application fee	\$400
Resident estimated total	\$23,350
Foreign investor application fee	\$5,000
Foreign investor purchaser fee	\$22,500
Non-resident estimated total	\$50,850

Note: this worked example is an estimate only, with approximate fees. It is highly recommended that you engage a solicitor or conveyancer during the purchasing process

duty discounts for properties valued up to AU\$750,000. Non-resident owners who do not plan to rent their properties also need to be aware of the new vacant property levy of 1%. As for federal taxes, you will be liable for capital gains tax and income tax on rental income.

The income tax rate for residents and non-residents is levied on a scale. If you earn up to AU\$80,000 in rental income after deductions, the tax rate is 32% for non-residents. Capital gains tax is a separate tax levied on any profit made from the sale of an asset, including property. Unlike Australian citizens, non-residents are not eligible for the 50% discount if they sell a property. The capital gain is added to the other income of the owner and taxed at the relevant tax rate.

You can claim back many property-related costs against rental income, including interest on a loan, management fees, council and land taxes. There is also a significant deduction available for the depreciation of the property, fixtures and fittings and household effects.

Other fees involved in the buying process include legal and conveyance fees, which range between AU\$500 and AU\$3,000, and land transfer fees. There are also FIRB application fees required upon purchase.

Finally, when acquiring a property, consideration should be given to the long-term strategy: what is the purpose and intention for the property? Should you borrow money? Should you buy it through a discretionary family trust? All these considerations go hand in hand with the acquisition of the property so the most efficient tax and investment structure can be determined beforehand.





Education

Christine Jenkins is an education specialist based in Melbourne

As an education consultant, I see a lot of families and young people who are attracted to Melbourne. Most are from mainland China and Hong Kong, although I have advised people from Taiwan, Japan and Germany.

They are keen on Melbourne for two reasons. Firstly, it is seen as a safe city that is also cosmopolitan and lively. That makes it attractive to young people, and reassuring for their parents.

Secondly, Melbourne offers an extremely high quality of education, with a superb standard of teaching and learning in schools and at universities. Parents see this as a guarantee of a positive outcome for their investment. Education here is not cheap, but while the exchange rates are favourable, the positives outweigh the negatives.

Starting with school-aged children, Chinese families, for example, typically

RANKING OF UNIVERSITIES IN VICTORIA

- 1 University of Melbourne
- 2 Monash University
- 3 RMIT University
- 4 Deakin University
- 5 La Trobe University
- 6 Swinburne University of Technology
- 7 Victoria University
- 8 Federation University
- 9 University of Divinity

Source: QS World University Rankings 2016/17

THE SIMPLIFIED STUDENT VISA FRAMEWORK

Since 1 July 2016, the Simplified Student Visa Framework (SSVF) replaced all previous eight student visas to allow study in Australia. Under the SSVF there are two subclasses only:

STUDENT VISA
International students can apply for a single student visa, regardless of their chosen course of study.

STUDENT GUARDIAN VISA
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 at border.gov.au/Trav/Visa/Immi

start thinking about educating their children overseas when they are around 14 or 15, though the students may not come until they are 16 or 17 years old. China will not grant students an exit visa unless their English language has reached a reasonable standard, which is the reason Chinese students joining Melbourne schools tend to be in their mid-teens, as opposed to pre-teens.

Year 11 or 12 in an independent school will cost around AU\$20,000 per year, plus living expenses, books and healthcare. Boarding-school fees are around AU\$45,000 per annum, but much greater support is provided, of course.

The advantage of Western-style education is it develops students as individuals: it does not take a one-size-

Melbourne Institute of Technology (RMIT) are growing in popularity, and, as they increase their range of courses, are becoming far more widely known.

There is some risk of growing competition to Melbourne's educational institutions. The more Western approach to education is starting to have an impact in Singapore and Japan. This process will take much longer in China, as demand for places there is high and the incentive for change less pronounced.

Having said that, the past decade has seen a huge increase in the middle class in China. Their desire to give their children the best opportunities possible looks set to produce growing demand for secondary-school and university places in Melbourne.

◆ ◆
Melbourne offers a superb standard of teaching. Education here is not cheap, but while the exchange rates are favourable, the positives outweigh the negatives
◆ ◆

fits-all approach to learning. Instead, teachers try to adapt to the level of the students, both academically and personally. Students from Asia and China typically find they are also expected to speak up more in class and interact more with their teachers and classmates, which they find refreshing.

The final two years of secondary school in Melbourne lead to the Victoria Certificate of Education (VCE), which is awarded to students who successfully complete their secondary education. This makes it much easier for them to gain entry to local universities. The VCE is less exam-focused and very broad and flexible. Its only compulsory aspect is that students can speak English as a first or second language. Students prepare portfolios and do other assessed tasks, then have one exam at the end of Year 12.

Universities in Melbourne also offer a wide range of high-standard, flexible courses. They have very few barriers to entry for foreign students beyond the English-language requirement. Aside from that, universities judge solely on merit, regardless of whether students are looking to study law or medicine, the arts or business. International students see the University of Melbourne and Monash University as the top two in the state of Victoria. The former has a reputation as a global leader, but does not offer direct entry to medicine or law. Monash also offers high-quality education and teaches a huge number of courses across several campuses. Deakin University and the Royal

TOP PERFORMING

Performance of Melbourne schools

- 1 **Melbourne High School** South Yarra
- 2 **Mac.Robertson Girls'** Melbourne
- 3 **Nossal** Berwick
- 4 **Suzanne Cory** Werribee
- 5 **Presbyterian Ladies'** Burwood
- 6 **Korowa** Glen Iris
- 7 **Fintona Girls'** Balwyn
- 8 **Camberwell Grammar** Canterbury
- 9 **Scotch College** Hawthorn
- 10 **Haileybury College** Keysborough

Source: Better Education 2015

TUITION FEES

2017 Annual fees in top-performing Melbourne independent schools

Secondary schools	Suburb	Format	Indicative tuition fees
Melbourne Girls' Grammar	South Yarra	Girls	\$33,220
Melbourne Grammar	Melbourne	Boys	\$31,680
Lauriston Girls'	Armadale	Girls	\$30,852
PLC	Burwood	Girls	\$30,720
Trinity Grammar	Kew	Boys	\$30,660
Korowa Anglican Girls'	Glen Iris	Girls	\$29,500
MLC	Kew	Girls	\$28,020
Camberwell Grammar	Canterbury	Boys	\$27,535
Scotch College	Hawthorn	Boys	\$26,000
Loreto Mandeville Hall	Toorak	Girls	\$25,750

Source: Knight Frank Research, School Admission Websites, based on year 9 students
*Other expenses may be charged in addition to tuition fees



Culture, education and quality of life: duplicating Melbourne's global appeal isn't easy

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There are many reasons to want to purchase property in Melbourne, but it is the city's highly ranked quality of life that attracts most residents.

This success has led many cities to attempt to emulate it. But a concept as complex and imprecise as quality of urban life resists simple definition – it's not something that can just be bottled and prescribed as an easy panacea to the world's metropolitan ills.

This desire to learn from the success of others is a topic we consider in the latest edition of Knight Frank's *Global Cities Report*, our sister publication to *The Wealth Report*. The starting point for many is to recognise that few places are blessed with the inherent geophysical advantages of, say, Melbourne, London, New York or San Francisco. However, a number of cities are finding they can nonetheless nurture an economic environment that encourages an improved quality of life.

Miami, for example, has focused on high-end residential development as a catalyst for innovation in the retail and design industries, whereas Dubai's skill at urban repositioning focused initially on tourism following the financial crisis, before widening into the creative sectors of the economy.

One of the critical challenges for city authorities is ensuring their top-down approach to regeneration doesn't undermine the authenticity that talented workers demand from their working and living environments. As we note in the *Global Cities Report*, how do you create creativity?

Employing culture and education as a means to encourage diversification of land use and broaden the appeal of a city is well established, with Melbourne a stand-out exponent. Where art or museum quarters lead, retail and restaurant culture follows and economic growth is likely to be encouraged. Universities, in particular, have a real ability to encourage commercial development, attracting high-skill employment.

Melbourne provides the archetypal example to city authorities globally, and studying its success confirms the issues that matter to residents and investors: diversity and strength in economy and employment opportunities, plus quality of infrastructure and education provision. Getting these fundamental elements right should support the development of at least some of the lifestyle qualities with which the city is blessed.

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Definitions

UHNWI
We use UHNWI as an abbreviation for ultra-high-net-worth individual – someone with a net worth of over US\$30m, excluding their primary residence.

PRIME PROPERTY
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.

Unless stated, all references to dollars or \$ refer to US dollars

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