



*Living & Studying in
Melbourne*



*Buying Residential
Property*



*Owning Residential
Property*



Focus On Melbourne

2020-21

knightfrank.com/research



MELBOURNE

Melbourne strikes the perfect balance of a thriving global city whilst rich in local culture resulting in exceptional population growth in the city.

A fulfilling lifestyle can be the strongest drawcard to a global city. With Melbourne hosting some of the biggest sporting and cultural events in the world, it's little wonder the city has successively been ranked in the top 3 for liveable cities around the world for the past decade.

This guide focuses on living, studying and buying residential property in Melbourne.

Liveability

Melbourne is the second highest-ranked city in Australia for the quality of life it provides, according to the Knight Frank City Wellbeing Index. This allows the city to attract entrepreneurs, skilled employees and encourage companies to grow and succeed.

In the City Wellbeing Index 2020, Melbourne ranked in 11th place, after consideration was given to a host of factors including personal security, lifestyle, healthcare, crime, work-life balance and access to green space.

World-Class Education

The Simplified Student Visa Framework (SSVF) is designed to make the process of applying for a student visa in Australia simpler to navigate via two subclasses:

Student Visa—Subclass 500 where international students can apply for a single student visa regardless of their chosen course of study.

Student Guardian Visa—Subclass 590 where student guardians can apply for the new Student Guardian Visa. All students and student guardians must lodge their visa application online by creating an ImmiAccount.

Schools in Australia generally comprise a mix of local and international students. The education system is broadly divided into **primary** years K-6 (aged 5-12) and **secondary** years 7-12 (aged 13-18) students.

Independent schools are financially and administratively privately operated. **Religion-based** schools hold faith at the core of their education—however they continue to follow the government education curriculum.

Most **universities** have a main campus with several smaller campuses located across multiple states and territories; in the Central Business District (CBD), and in regional areas.

This provides a wide range of options when studying in Australia with many Australian universities also setting up campuses in major international hubs.

Noted

Melbourne, located on the East Coast of Australia in the state of Victoria, is the second largest capital city with 5.1 million residents in 2019—growing at a rate of 2.3% per annum.

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

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.

Hot summers are dry, while winters are cold and cloudy with an evening frost. The highest daily sunshine (11 hours) in the month of January.

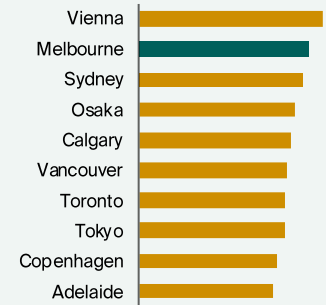
Demographic Profile of Melbourne

MELBOURNE	Most common	Ranked 2nd	Ranked 3rd
AGE	30-34 YRS	25-29 YRS	20-24 YRS
BORN	AUSTRALIA	INDIA	CHINESE MAINLAND
RELIGION	NO RELIGION	CATHOLIC	ANGLICAN
LANGUAGE	ENGLISH	MANDARIN	GREEK
EDUCATION	BACHELOR DEGREE	YEAR 12	CERT III
OCCUPATION	PROFESSIONAL	CLERICAL ADMIN	MANAGER
INDUSTRY	HOSPITALS	CAFÉ & RESTAURANTS	IT & SUPERMARKETS
COMMUTE	BY CAR	BY TRAIN	WORKED AT HOME
HOUSING	STANDALONE HOUSE	TOWNHOUSE	APARTMENT
TENURE	MORTGAGED	OWNED OUTRIGHT	RENTED

Source: Knight Frank Research, ABS Census 2016

Most Liveable Cities

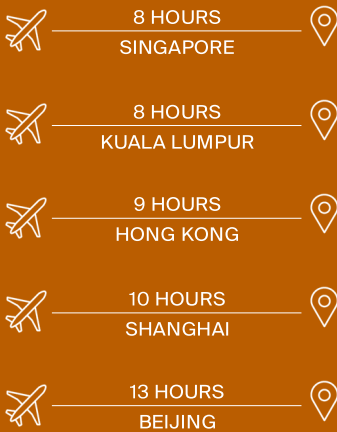
Top 10 of 140 global cities, 2019



Source: Knight Frank Research, Economist Intelligence Unit

Flying Time, Melbourne Airport

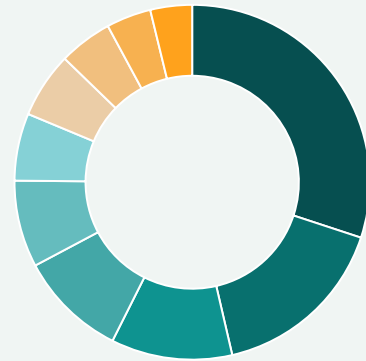
Direct International Flights



International Visitors, VIC

Top 10, by country or territory, 2019

- Chinese Mainland
- New Zealand
- United States
- United Kingdom
- India
- Singapore
- Malaysia
- Hong Kong SAR, China
- Japan
- Germany



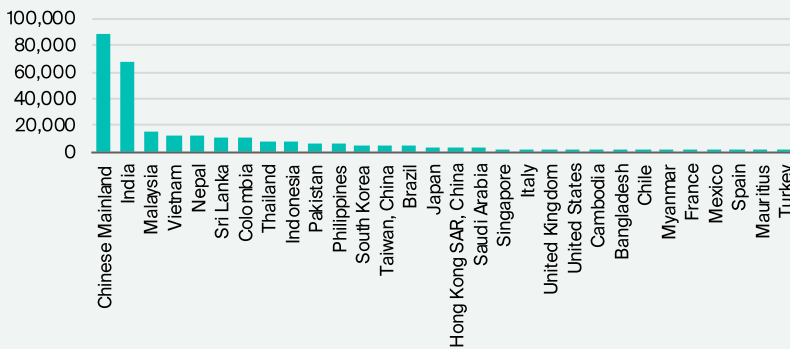
Source: Knight Frank Research, Business Victoria

“Mercer ranked Melbourne 17th from 231 cities for Quality of Living”



International Students, VIC

Top 30, enrolled by country or territory, 2019



Source: Knight Frank Research, Austrade

City Wealth Index 2020 Melbourne

100 global cities ranked

CATEGORY	RANKING
WEALTH	41
INVESTMENT	29
LIFESTYLE	58
OVERALL	40

Source: Knight Frank Research

LIVING & STUDYING IN MELBOURNE

Private Schools, International Students, Melbourne

List of private schools registered to accept international students, 2019

SUBURB	SCHOOL	RELIGION	GENDER	YEAR LEVELS	MAP REF.
Armadale	Lauriston Girls' School	Non-denominational	Girls	K-12	E3
Balwyn	Fintona Girls' School	Non-denominational	Girls	pre-K-12	E2
Box Hill	Kingswood College	Uniting	Co-ed	K-12	E2
Brighton	Brighton Grammar School	Anglican	Boys	pre-K-12	D3
Brighton	Firbank Grammar	Anglican	Co-ed	pre-K-12	D3
Brighton East	St Leonard's College	Uniting	Co-ed	pre-K-12	D3
Brunswick East	Our Lady of Christians School	Catholic	Co-ed	K-6	D2
Burwood	Presentation Ladies' College	Presbyterian	Girls	pre-K-12	E3
Canterbury	Camberwell Grammar School	Anglican	Boys	pre-K-12	E2
Canterbury	Camberwell Girls Grammar School	Anglican	Girls	pre-K-12	E2
Canterbury	Strathcona Baptist Girls Grammar School	Baptist	Girls	pre-K-12	E2
Caulfield	Shelford Girls' Grammar	Anglican	Girls	pre-K-12	E2
Chadstone	St Mary Magdalen's School	Catholic	Co-ed	K-6	E3
Coburg	Mercy College	Catholic	Girls	7-12	D2
Corio	Geelong Grammar School	Anglican	Co-ed	5-12	B5
Croydon Hills	Luther College	Lutheran	Co-ed	7-12	E2
Essendon	Lowther Hall Anglican Grammar School	Anglican	Girls	K-12	D2
Fitzroy	Sacred Heart School	Catholic	Co-ed	K-6	D2
Glen Iris	Korowa Anglican Girls School	Anglican	Girls	pre-K-12	E3
Glen Iris	Sacre Coeur	Catholic	Girls	pre-K-12	E3
Hawthorn	Scotch College	Presbyterian	Boys	pre-K-12	D2
Hawthorn East	Alia College	Non-denominational	Co-ed	7-12	D2
Ivanhoe	Ivanhoe Girls' Grammar School	Anglican	Girls	pre-K-12	E2
Kew	Ruyton Girls' School	Non-denominational	Girls	pre-K-12	D2
Kew	Trinity Grammar School	Anglican	Boys	pre-K-12	D2
Kew	MLC, Methodist Ladies' College	Methodist	Girls	pre-K-12	D2
Kew	Genazzano FCJ College	Catholic	Girls	pre-K-12	D2
Keysborough	Haileybury	Non-denominational	Co-ed	pre-K-12	E4
Melbourne	Wesley College	Uniting	Co-ed	pre-K-12	D2
Melbourne	Melbourne Grammar School	Anglican	Boys	pre-K-12	D2
Mentone	Mentone Grammar	Anglican	Co-ed	K-12	E4
Mentone	Mentone Girls' Grammar School	Anglican	Girls	pre-K-12	E4
Newtown	The Geelong College	Uniting	Co-ed	pre-K-12	B5
North Melbourne	St Aloysius College	Catholic	Girls	7-12	D2
Oakleigh	Oakleigh Grammar	Christian	Co-ed	pre-K-12	E3
Ormond	Kilvington Grammar School	Baptist	Co-ed	pre-K-12	E2
Research	Eltham College	Non-denominational	Co-ed	K-12	E2
South Yarra	Melbourne Girls Grammar	Anglican	Girls	pre-K-12	D3
Springvale	Minaret College	Islamic	Co-ed	pre-K-12	E3
St Kilda	St Michael's Grammar School	Anglican	Co-ed	pre-K-12	D3
St Kilda East	Caulfield Grammar School	Anglican	Co-ed	K-12	D3
St Kilda East	CBC	Catholic	Boys	7-12	D3
Toorak	St Catherine's School	Christian	Girls	pre-K-12	D3
Toorak	St Kevin's College	Catholic	Boys	pre-K-6	D3
Windsor	Presentation College	Catholic	Girls	7-12	D3

PRIME PROPERTY

Prime properties, are considered the top 5% of the residential market by value, and located in the most prestigious suburbs of Melbourne.

Toorak is considered the one most prestigious, and expensive suburbs by value, according to the Real Estate Institute of Victoria (REIV). This was followed by Canterbury, Hawthorn and Brighton.

Several well-respected private schools in these suburbs attract local and international families alike.

KEY EMPLOYMENT HUBS

The distribution of employment opportunities are wide across Melbourne, although there are key concentrated areas for office and industrial workers.

Commercial

Melbourne CBD is the largest office market in Melbourne.

The CBD extends north of the Yarra River, from Flinders Street Station up to Queen Victoria Markets; bound by Spring Street, Spencer Street and west to include the suburb of Docklands. Accessible by: train, tram, ferry, bus and car.

Southbank accommodates the next largest office market. Located south of the Yarra River and extends down the Kingsway to adjoin the St Kilda Road precinct and Montague Street to the west, and Market Street in South Melbourne. Accessible by: train, tram, ferry, bus and car.

East Melbourne sits to the eastern side of the CBD and is generally bound by the Melbourne Cricket Ground (MCG) in the south, Hoddle Street to the east and up to North Richmond train station, along Victoria Parade and around to Spring Street. Accessible by: train, tram, bus and car.

St Kilda Road precinct sweeps along the St Kilda Road boulevard from the Shrine of Remembrance down to the Queens Way (Princes Hwy); also extending partly down Albert Road to Moray Street, near Albert Park Lake. Accessible by: tram, train, bus and car.

Suburban locations include Richmond, Carlton, Port Melbourne, Hawthorn, Camberwell, Kew, Malvern, South Yarra, Box Hill, Mt Waverley, Mulgrave, Burwood, Cheltenham, Moorabbin, Dandenong, Footscray, Moonee Ponds and Essendon. Most precincts are accessible by train, tram, bus and car.

Industrial

Industrial areas spread across the metropolitan vary with distribution centres, warehouses and industrial estates. Most suburbs are accessible via bus, tram, truck and car.

North includes Tullamarine, Epping, Somerton.

South East includes Mulgrave, Springvale, Dandenong South, Keysborough, Braeside, Pakenham, Lyndhurst.

West includes Port Melbourne, Footscray, Altona North, Laverton North, Westmeadows, Truganina, Derrimut.

East includes Blackburn, Mt Waverley, Ringwood, Bayswater, Clayton South, Croydon South, Knoxfield, Scoresby.

Universities, Victoria

Universities accepting international students

UNIVERSITY	WORLD RANKING 2017	AUS. RANKING 2017	NUMBER INT. STUDENTS	% OF INT. STUDENTS	ANNUAL INT. STUDENT FEES ^A	MAP REF.
University of Melbourne	50	1	15,534	29%	\$35,000	C3.D2.D3.E2
Monash University	114	10	23,298	35%	\$36,000	D2.D3.E3.E6.F4
Deakin University	341	7	7,528	15%	\$27,000	B5.C3.D1.D2.E3.E4
RMIT University	364	39	26,391	45%	\$29,000	D2.E2
La Trobe University	405	36	7,811	23%	\$26,000	D2
Swinburne University of Technology	736	34	8,425	25%	\$24,000	D2.E2.E3
Victoria University	737	33	9,903	36%	\$23,000	C1.C3.D2
Federation University	1,526	31	7,528	15%	\$27,000	-
University of Divinity	13,882	38	126	8%	NA	D2.E2.E3

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. **Australian Ranking** is calculated from the combined score for World Ranking (reputation), Graduate Satisfaction (ratings) and Adjusted Graduate Salary (results). ^A**Average Annual International Student Fees** are an estimate only. Further information is available at universityreviews.com.au

BUYING IN MELBOURNE

THE PROCESS

The process to purchase a residential property can vary widely but the most common steps are outlined below. For further information and clarity, consult with a legal representative.

Finance Representation

Before starting the journey to purchase a residential property, carry out due diligence of the subject property and surrounding area to ensure the price expectation can be achieved with the allocated budget.

Legal Representation

Engaging a solicitor or conveyancer prior to purchasing the property is highly recommended so they can review the contract before signing, and then stay engaged throughout the process until the property settles (when the property officially changes ownership).

Buying Established Property

Inspect the property at an open house or by private appointment. Request a **copy of the contract** and have solicitor (or conveyancer) read over the document. Gain **pre-approval** for loan from lender and confirm qualification from FIRB if required. Arrange a **pest and building** inspection to guarantee the quality of the building and be aware of maintenance required.

Negotiate by private treaty the highest price willing to be paid for the property with the vendors (via the selling agent) or alternatively **bid at public auction**.

Holding deposit is recommended for a private treaty until cooling off ends (say, A\$1,000) until formal finance is

approved; at this time the full deposit (say, 10%) is paid. If the bid was accepted at auction, the **full deposit** is payable at this time (say, 10%) with any cooling off period now void. The deposit is generally paid by cheque or electronic transfer (private treaty only).

Contracts are signed and exchanged

by both parties and it's time the solicitor (or conveyancer) finalises the formal paperwork with the lender. Loan documents are signed.

Settlement occurs when the property officially changes ownership, following one final inspection on the day and the locks are changed.

Buying Off-The-Plan

In most cases, buying off-the-plan (OTP) is the commitment to buy a property that's not yet built. An OTP property can be better priced than established stock. Developers are keen to secure sales in the project so lenders will provide funding and construction can commence. There is also the potential flexibility at this time to make design changes to a house or apartment before construction begins.

In most cases a deposit, typically 10%, is paid to the developer and the remaining is paid on settlement of the property, allowing more time to save throughout the construction period.

Through this time, market forces may push market values up, at an advantage to the buyer, at the same time consideration must be made should the market slow over this time.

It's wise for this type of investment, that contracts are reviewed by legal representation and the 'sunset clause' explained, which places a deadline for

the construction timeline. Should a development not proceed, deposits will be returned, but this could be at the expense of missed interest and capital gains through other investments.

There can also be more tax depreciation available on new properties, meaning maximising benefits and improving after-tax cash flow for investment properties.

STANDARD COSTS

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

Transfer Duty

Transfer duty (also known as Stamp Duty) is levied by the state government on the purchase of property.

Legal Fee

Legal fees will vary between legal firms and may be dependent on property value. Fees range from A\$900-\$3,000 plus Goods & Services Tax (GST).

Land Transfer Fee

When a property changes ownership, a document known as a Land Transfer is lodged and registered with the State Revenue Office Victoria, 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 of Australia. A solicitor or conveyancer will perform this task on behalf of the purchaser.

Mortgage Application Fee

A fee charged by the state government for the registration of a mortgage. A lender will perform this task on behalf of the purchaser.

FOREIGN INVESTOR BUYING RULES

The Australian Government welcomes and encourages 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. This application process is administered and approved by the Foreign Investment Review Board (FIRB).

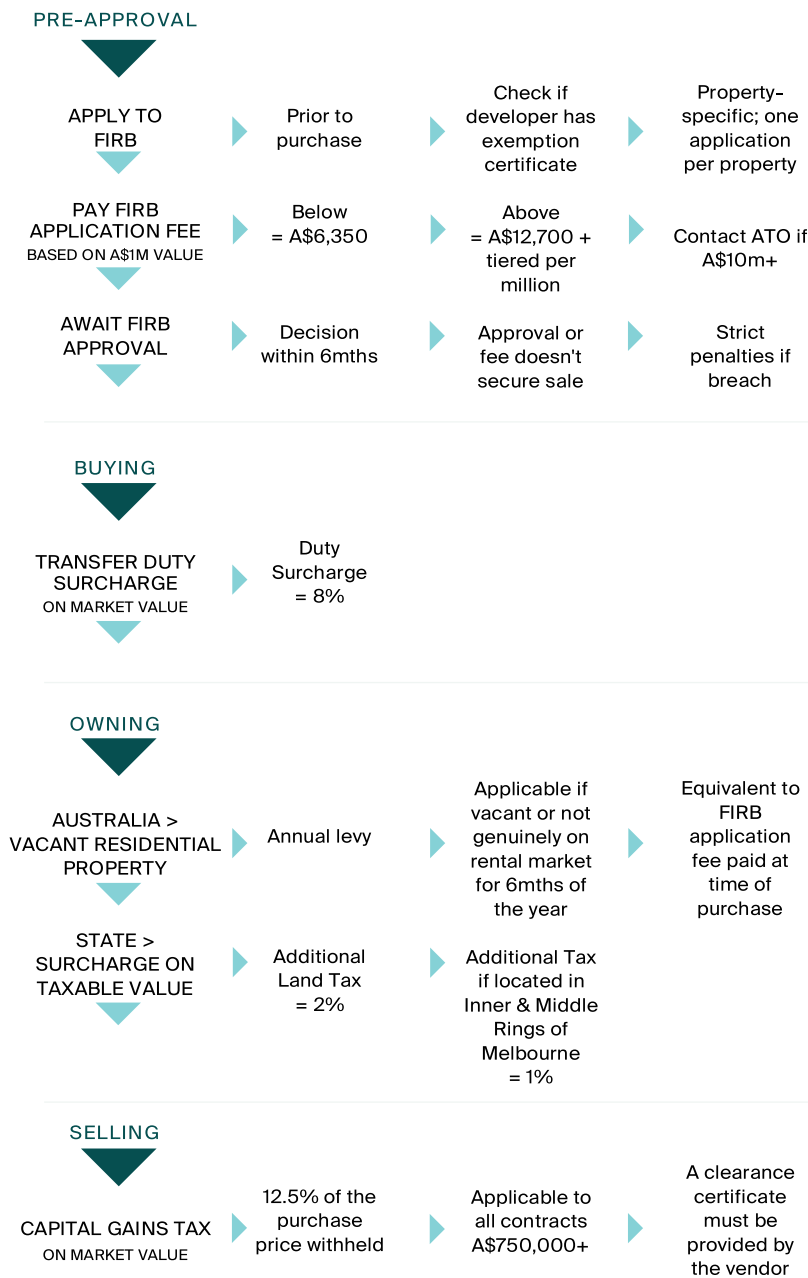
	FOREIGN INVESTOR	TEMPORARY RESIDENT	OFFSHORE COMPANY WITH AUSTRALIAN BUSINESS
DEFINITION	A natural person who is not an Australian citizen and is a non-resident.	A person residing in Australia and holds a temporary residency visa which allows them to stay for continuous period of 12+ months or on a bridging visa awaiting permanent residency.	The scope of the offshore company's operations and assets in Australia would be considered before being eligible to acquire one or more properties under this category.
FIRB APPLICATION Must gain approval before purchasing any property	YES	YES	YES
CAN BUY OFF-THE-PLAN Construction stage, new & not yet occupied	YES	YES	YES
CAN BUY OFF-THE-PLAN When another buyer has failed to reach settlement	YES	YES	YES
CAN BUY VACANT LAND If residential construction starts within 24 months	YES	YES	TBC
CAN BUY ONE ESTABLISHED DWELLING With vacant possession throughout the redevelopment scheduled to increased dwelling count	YES	NO	TBC
CAN BUY ONE ESTABLISHED DWELLING With no redevelopment scheduled, being main residence	NO	YES	YES
CAN BUY ONE OR MORE ESTABLISHED DWELLINGS As investment properties	NO	NO	NO
MAIN RESIDENCE Must be sold if ceases to be main residence	N/A	YES	YES
CAN BUY ESTABLISHED DWELLING To provide housing for Australian-based employees	N/A	N/A	YES
VACANT PROPERTY Must be sold if unoccupied for 6+ months, but if the sale fails, can be rented in remote locations	N/A	N/A	YES

Source: Knight Frank Research, Foreign Investment Review Board

FOREIGN INVESTOR BUYING PROCESS

Process for Foreign Buyers when Buying, Owning and Selling Residential Property, Melbourne

As at 1 January 2021



Source: Knight Frank Research, Australian Government, State Revenue Office Victoria



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

“A fee is payable before the 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.”



FIRB Application Fees

Based on Property Value, AUD

RANGE	FEE
\$75,000–\$1,000,000	\$6,350
\$1,000,001–\$2,000,000	\$12,700
\$2,000,001–\$3,000,000	\$25,400
\$3,000,001–\$4,000,000	\$38,100
\$4,000,001–\$5,000,000	\$50,800
\$5,000,001–\$6,000,000	\$63,500
\$6,000,001–\$7,000,000	\$76,200
\$7,000,001–\$8,000,000	\$88,900
\$8,000,001–\$9,000,000	\$101,600
\$9,000,001–\$10,000,000	\$114,300
\$10,000,000+	POA

Source: Knight Frank Research, FIRB

CASE STUDY

ESTIMATED COSTS TO BUY

Estimated Cost to Buy a New Residential Investment Property in Melbourne

All costs represented in AUD, as at 1 January 2021

PURCHASE PRICE	\$350,000	\$500,000	\$750,000
Transfer Duty (Stamp Duty)	\$16,070	\$25,070	\$40,070
Land Transfer Fee	\$1,060	\$1,410	\$1,990
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
Standard: Estimated Total Costs	\$18,730	\$28,080	\$43,660
Foreign Investor FIRB Application Fee	\$6,350	\$6,350	\$6,350
Foreign Investor Duty Surcharge @ 0.08	\$28,000	\$40,000	\$60,000
Foreign Investor: Estimated Total Costs	\$53,080	\$74,430	\$110,010

PURCHASE PRICE	\$1,000,000	\$1,250,000	\$1,500,000
Transfer Duty (Stamp Duty)	\$55,000	\$68,750	\$82,500
Land Transfer Fee	\$2,580	\$3,160	\$3,750
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
Standard: Estimated Total Costs	\$59,180	\$73,510	\$87,850
Foreign Investor FIRB Application Fee	\$6,350	\$12,700	\$12,700
Foreign Investor Duty Surcharge @ 0.08	\$80,000	\$100,000	\$120,000
Foreign Investor: Estimated Total Costs	\$145,530	\$186,210	\$220,550

PURCHASE PRICE	\$1,750,000	\$2,000,000	\$2,250,000
Transfer Duty (Stamp Duty)	\$96,250	\$110,000	\$123,750
Land Transfer Fee	\$3,750	\$3,750	\$3,750
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
Standard: Estimated Total Costs	\$101,600	\$115,350	\$129,100
Foreign Investor FIRB Application Fee	\$12,700	\$25,400	\$25,400
Foreign Investor Duty Surcharge @ 0.08	\$140,000	\$160,000	\$180,000
Foreign Investor: Estimated Total Costs	\$254,300	\$300,750	\$334,500

PURCHASE PRICE	\$2,500,000	\$5,000,000	\$7,500,000
Transfer Duty (Stamp Duty)	\$137,500	\$275,000	\$412,500
Land Transfer Fee	\$3,750	\$3,750	\$3,750
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
Standard: Estimated Total Costs	\$142,850	\$280,350	\$417,850
Foreign Investor FIRB Application Fee	\$25,400	\$63,500	\$88,900
Foreign Investor Duty Surcharge @ 0.08	\$200,000	\$400,000	\$600,000
Foreign Investor: Estimated Total Costs	\$368,250	\$743,850	\$1,106,750

Important Notice: The above worked example is an estimate only, based on the ANZ estimated upfront costs calculator, FIRB calculator and state government surcharges. It is highly recommended to engage a solicitor or conveyancer during the entire process of a property purchase.

Source: ANZ, Foreign Investment Review Board, State Revenue Office Victoria

OWNING IN MELBOURNE

In Australia, most residential dwellings are purchased as freehold property, that is, the land and building are owned outright, in perpetuity, under the Torrens title system.

The same exists for strata title, although ownership allows individual ownership of part of a property (or 'lot'), combined with shared ownership in the remainder, or common property, through a legal entity known as the owners corporation.

Costs and taxes associated with the ownership of a property can vary dependent on the services the building provides.

STANDARD COSTS

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 considered your principal residence.

Council Rates

This varies across states and local government areas. 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.

To understand the number of potential allowable tax deductions, it is recommended an Australian Tax advisor is consulted.

Owners Corporation

If the purchased property is strata titled, an owners corporation will be established for the building.

A strata titled building has common areas and facilities for the use of all occupants of the building.

A regular levy must be paid to the owners corporation to maintain and repair these common areas.

This can include foyers, elevators, gardens, swimming pools, gymnasiums, visitor parking areas, security and lighting.

The owners corporation comprises an executive committee who make decisions on behalf of all owners, generally comprising individual apartment owners within the complex.

COSTS AS A LANDLORD

Property Management Fees

Letting Fees are usually equivalent to two (2) weeks rent paid to the agent (property manager) as a fee for securing a tenant.

Management Fees cover any costs associated with managing the property and generally ranges from 7% to 8.5%, plus GST.

Utility and Service Charges

The owner generally pays for the use of utilities such as electricity, gas and water supply.

If the owner leases the property, some of these can be passed onto the tenant, but this must be stipulated in the

The Tenancy Agreement

A tenancy agreement (lease) is a contract where the landlord (owner) allows the tenant (renter) to occupy their residential property for a specified length of time (term), in return for a regular payment (rent).

Lease application must be submitted to the property manager with proof of identity, ability to pay rent and good references.

Term of a tenancy can vary, although the standard term is six (6) months for the initial agreement. Alternate periods may be negotiable dependant on the requirements of the landlord and/or tenant.

Rent being the regular payment from the tenant, to the landlord, is normally paid via the property manager on a weekly, fortnightly or monthly basis. Any future increases will be stated within the tenancy agreement.

Bond is an upfront lump sum security of four (4) weeks rent paid by the tenant and returned if the vacated property is left in a suitable condition.

Termination occurs when the tenancy agreement is void. However, both landlord and tenant can request to end the tenancy for several reasons with conditions met such as, suitable days notice, number of notices and reason for termination.

For further information, contact Consumer Affairs Victoria.

OWNING IN MELBOURNE

tenancy agreement.

In saying this, the owner must pay for the initial and/or replacement installation and connection costs.

Landlord Insurance

Landlord insurance is recommended and designed specifically to cover rental properties.

Depending on the insurance provider, it protects the home from damage, theft, severe weather or rent default in some cases.

COSTS AS A FOREIGN OWNER

Land Tax Surcharge for Foreign Owners

The Victorian government has imposed a 2% land tax ‘Absentee Owner Surcharge’ for foreign owners from 31 December 2015 and more recently an additional 1% land tax surcharge for properties located in the Inner and Middle Suburbs of Melbourne. These are payable in addition to general land tax and is based on the taxable value.

Vacant Residential Property Levy for Foreign Owners

The Australian government charges an annual levy for foreign-owned vacant residential property (ghost tax) if the owner fails to occupy or lease for at least six (6) months of the year.

The levy is equivalent to the FIRB application fee imposed at the time the property was purchased.

STANDARD SELLING COSTS

There are costs and taxes to consider when selling residential property in Australia.

Legal Fee

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 A\$2,000 - \$4,000, plus GST.

Real Estate Agent Selling Fee

An agent fee is the commission paid by the owner, to the agent, for selling the property—either tiered or a fixed rate. Do ensure you understand the breakdown of the fee structure as commissions will vary between states, and price point. Fees often range between 2% and 3% of the value of the property sold.

Marketing Costs

When an agent is selected to sell the property, the fee breakdown will often stipulate the budget associated to the marketing and advertising of the property. Additionally, there may be an allocation for multiple open home inspections held 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

Capital gains tax (CGT) is a federal tax levied on the gain or loss upon the sale

of an investment property. The tax is implemented on the difference between the cost of acquiring the property, and the value when sold. The difference is then added to the income tax for the individual or company for that financial year, and taxed accordingly with those rates.



“Property tax planning can make a significant difference to your financial position. It’s important to regularly engage with a local tax professional and seek the right advice before transacting on a property.”



SELLING COSTS AS A FOREIGN OWNER

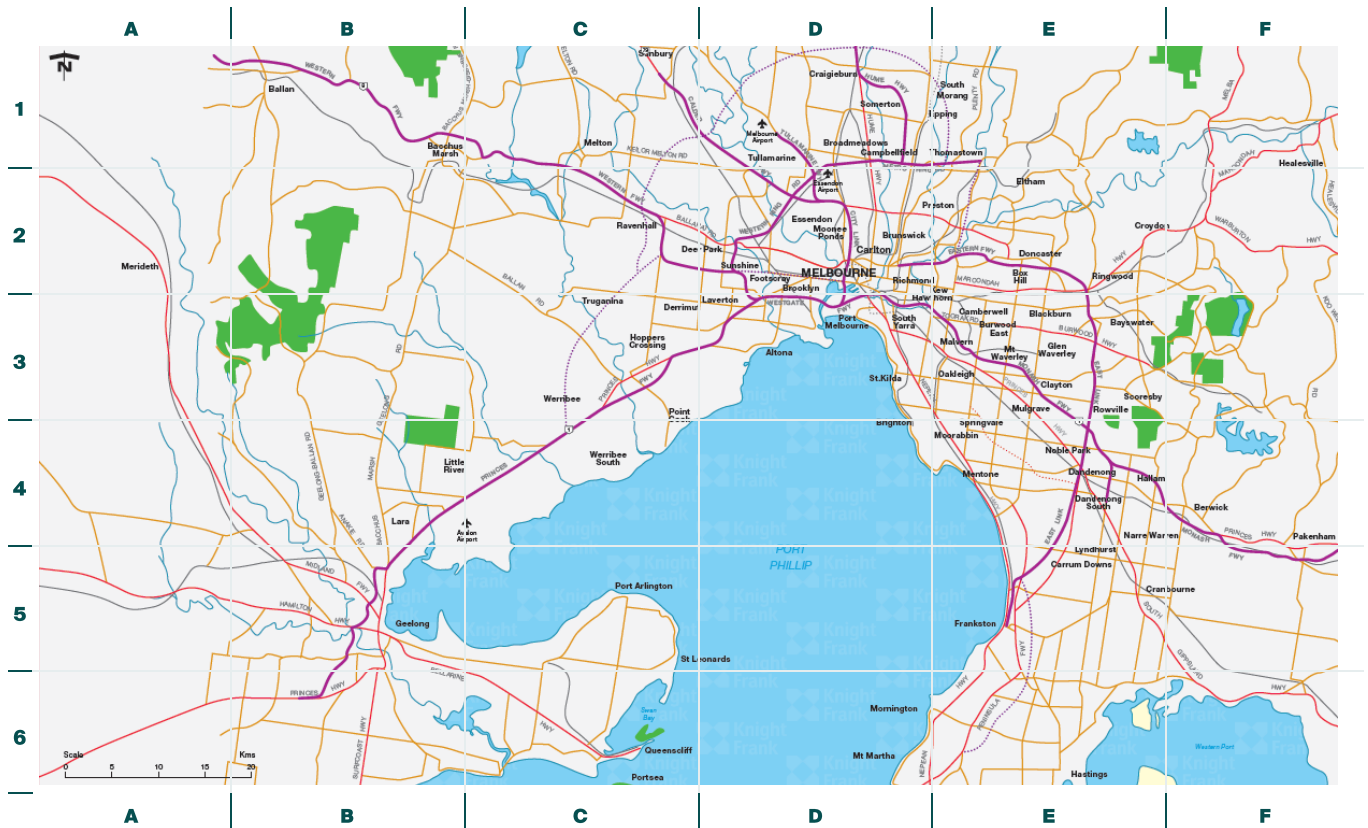
Foreign Resident Capital Gains Withholding

Foreign resident capital gains withholding (FRCGW) applies to vendors disposing of certain taxable property under contracts entered into from 1 July 2016. The FRCGW tax rate is 12.5%. It also now applies to real property disposals where the contract price is \$750,000 or more.

For contracts that are entered into from 1 July 2016 and before 1 July 2017, even if they are not due to settle until after 1 July 2017, the FRCGW withholding tax rate is 10% and applies to real property disposals where the contract price is \$2 million and above.

For further information, contact the Australian Taxation Office (ATO).

Melbourne Major Infrastructure Network



Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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