RESIDENTIAL RESEARCH

Knight Frank

FOCUS ON MELBOURNE

RESIDENTIAL GUIDE Q3 2019

LIVING & STUDYING | BUYING PROPERTY | WHY INVEST?

MELBOURNE— THE CULTURAL CITY

Melbourne strikes the perfect balance of a thriving global city whilst holding a rich local culture. Overseas migration, recently fuelled by interstate relocation, has resulted in exceptional population growth in the city.

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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 ranked 2nd place of the World's Most Liveable Cities in 2019, according to the Economist Intelligence Unit (based on 30 factors across five areas: stability, infrastructure, education, health care and environment). The city was narrowly overtaken by Vienna (scoring 0.7 more points) after holding first place for the past seven consecutive years.

TABLE 1

Most Liveable Cities 2019

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

1.	Vienna, Austria
2.	Melbourne, Australia
3.	Sydney, Australia
4.	Osaka, Japan
5.	Calgary, Canada
6.	Vancouver, Canada
=7.	Toronto, Canada
=7.	Tokyo, Japan
9.	Copenhagen, Denmark
10.	Adelaide, Australia

Source: Knight Frank Research, Economist Intelligence Unit

City Wealth Index

Melbourne ranked equal 20th place with Madrid on the Knight Frank City Wealth Index 2018—for cities that matter to the ultra-wealthy.

TABLE 2

Knight Frank City Wealth Index 2018, Melbourne

314 international cities ranked in each category

	Ranking
Wealth	44
Investment	=15
Lifestyle	25
Future	26
OVERALL	**=20**

Source: Knight Frank Research

Melbourne performed best in the 'investment' category in 15th place after considering the average number of nationalities investing in 2016 and 2017, plus the average private investment into property over the same time.

Breaking down elements in the 'lifestyle' category, where Melbourne ranked 25th globally, the city scored the global top spot for the highest average spend per overnight visitor at US$1,925. Other elements considered for lifestyle included cities with the most universities in the top 100 and the number of five-star hotels.

The 'future' prospects for Melbourne when based on GDP performance, saw the city in 26th place for this category. Taking into account the future growth in the number of households earning US$250,000, the 'wealth' category saw Melbourne in 44th position.

International Visitors

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

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

Chapel Street, South Yarra and Bridge Road, Richmond host fashion labels and local designers; while in the CBD, Flinders Lane and Bourke Street Mall are within close proximity for workers and residents. International brands are well-established, with many luxury brands home at the Paris-end of Collins Street.

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

St Kilda is popular with locals and tourists alike. Convenient shopping centres are dispersed within suburban areas. Shopping centres such as Chadstone, Highpoint and Southland are designed as retail destinations, including department stores, casual dining and cinemas.

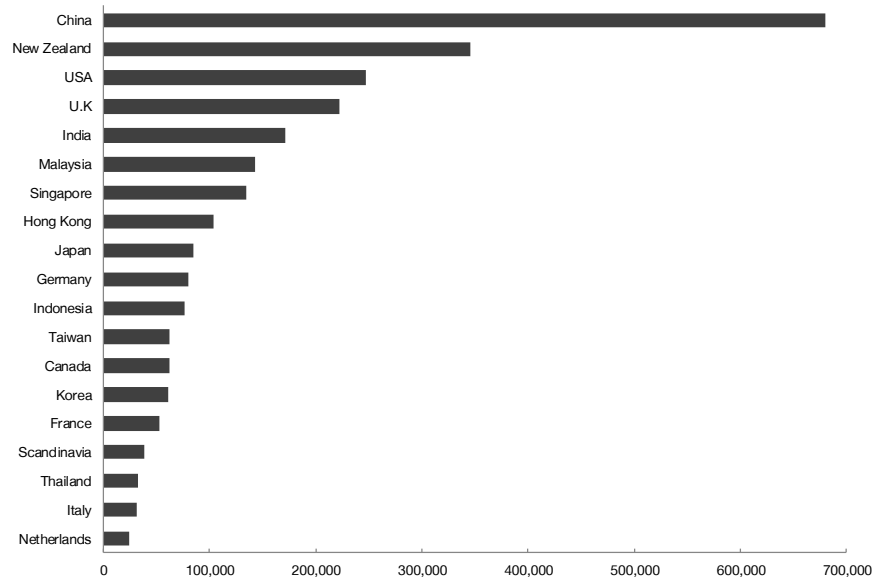
The number of international visitors to Victoria grew 5.0%, to total 3 million, in the year ending March 2019. The most number of international tourists came from China (679,900) and New Zealand (345,900) and the United States (247,700) as shown in Figure 1.

There was strong growth in international arrivals over this time from Canada (18.9%), France (10%), India (9.9%), Singapore (7.2%), Japan (6.3%), followed by Indonesian and China (5.8%).

FIGURE 1

International Visitors to Victoria, by Country of Residence

Total number, year ending March 2019



Source: Knight Frank Research, Business Victoria

FAST FACTS MELBOURNE

- Melbourne is the state capital of Victoria.
- Australia's second largest capital city, with approximately 4.9 million residents estimated living in the Greater Melbourne region in 2017.
- Located on the East Coast, and covers a geographic area of 9,900 sqm.
- Dry and hot summers (mean maximum 26°C) and cooler winters (mean average of 6°C).
- Most daily sunshine is eleven (11) hours in the month of January.
- 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.
- From Melbourne, current average flying travel time is approximately seven (7) hours to Jakarta, eight (8) to Singapore and Kuala Lumpur, nine (9) hours to Hong Kong, 10 hours to Shanghai and 13 hours to Beijing.
- 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.

LIVING IN MELBOURNE

MELBOURNE ANNUAL EVENT CALENDAR

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

FEBRUARY
- Asia Pop Courtyard Cantina
- Melbourne International Coffee Exhibition

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

APRIL
- Melbourne Comedy Festival
- Oxfam Trailwalker

MAY
- Melbourne Good Beer Week
- Human Rights Arts & Film Festival

JUNE
- Ski Season in Mount Hotham, Mount Buller and Falls Creek
- Melbourne International Jazz Festival

JULY
- Run Melbourne

AUGUST
- Melbourne Fishing and Boating Exhibition
- Melbourne International Film Festival

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

OCTOBER
- Melbourne Festival

NOVEMBER
- Melbourne Cup Carnival

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

Melbourne's Demographic Profile

Population

Population has been rising steadily in Melbourne with strong interstate migration into the city. Over the year to 30 June 2017, an increase in the estimated resident population was recorded at 2.7% to 4.9 million. This is well-ahead of the overall Australian population growth of 1.6%. According to the Australian Bureau of Statistics (ABS), the Melbourne population is projected to grow annually by a minimum of 1.7%, to 6.4 million persons by 2036.

Age Distribution

Residents are primarily young to middle aged—with 30.6% of Melbourne's population aged between 20 and 44 years old, compared to the national 34.6% average for this age group.

Multiculturalism

Melbourne is a true multicultural city, with 42.9% of residents being born outside of Australia. The most prominent countries include India (3.6%), China (3.5%), England (3.0%), Vietnam (1.8%) and New Zealand (1.8%). In addition, 46.2% of Melbourne's residents' parents were born overseas—compared to the national average of 34.4%.

Religion

The Catholic religion was practiced by 23.4% of Melbourne residents at the time of the Census 2016, this was followed by Anglican at 7.6%, then Eastern Orthodox with 4.3%. No religion was the most common response in Melbourne with 31% of the population.

Language

Other than English, Mandarin (4.1%) was the most common language spoken in a Melbourne household. Other typical languages included Greek (2.4%), Italian (2.3%), Vietnamese (2.3%) and Cantonese (1.7%).

Education

Melbourne is a skilled city. A higher proportion of people were educated at university level (27.5%) compared to the Australian average (22.0%). In Melbourne, 20.4% of the local student population were studying at university in the 2016 Census, compared to the national average of 16.1%.

Work

The most common occupation of Melbourne's residents were in professional services—at 25% compared to the national 22.2% average.

Clerical and administrative workers (13.9%), managers (13.2%) and technicians and trades workers (12.6%) were the next most common occupations.

Of all the employed people in Melbourne, 3.7% worked in hospitals. Other major industries of employment included cafés and restaurants (2.7%), supermarket and grocery stores (2.2%), computer system design and related services (2.2%) and higher education (1.8%).

Travel to Work

In Melbourne at the time of the Census 2016, the most common methods of travel to work for employed people were by car, as a driver (60.2%) and train (7.2%). Other common responses were worked at home (4.2%), car, as a passenger (3.9%) and walked only (3.0%).

On the day, 15.6% of employed people used public transport (train, bus, ferry, tram/light rail) as at least one of their methods of travel to work and 66.9% used a car (either as driver or as passenger).

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 and Carlton Gardens and bound by Flinders Street, Spring Street, Victoria Street, Dudley Street and Spencer Street; then across 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. Workers are often seen enjoying Fitzroy Gardens at lunchtime. 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 are more spread across the metropolitan area varying from distribution centres, to warehouses, and industrial estates. Most suburbs are accessible via bus, tram, truck and car.

North: Tullamarine, Epping, Somerton.

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

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

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

MAP 1

Melbourne

Major infrastructure network

Source: Knight Frank Research

STUDYING IN MELBOURNE

Schools

Schools in Australia generally comprise a mix of local and international students. The education system is broadly divided into **primary (aged 5-12)** and **secondary (aged 13-18).** There are two main types of public and private schools:

Public Schools

Public schools are financially and administratively operated by the State Government and provide free education to domestic students. First preference is normally given to those living within a particular catchment area from the school. Student visa holders must pay a fixed fee for each year of education, dependent on the type of visa held.

Selective public schools are financially and administratively operated by the State Government. Selective public schools are regarded as more prestigious due to the academic selective nature. Students must sit academic examination and excel in order to be offered a position from the respective school.

Additionally, these selective public schools do not usually limit their intake to catchment areas. Due to their public nature, student visa holders must pay a fee for each year of education.

Private Schools

Independent schools are financially and administratively privately operated. Independent schools therefore hold more control over the quantity and quality of teachers, classroom sizes, amenities and co-curricular activities. Fees for independent schools are usually high, but can be considered to provide an investment for superior education and amenities to students.

Religion-based schools hold faith at the core of their education—however they continue to follow the state government education curriculum. These religion-based schools are usually non-government, and thus often have higher fees than government subsidised schools.

Universities

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

International Students

Reflecting the strong reputation internationally, universities in Victoria accommodate a large international student base. International student enrolments in Victoria increased 10.8%, to 280,500, in 2018. Higher Education had most demand in student enrolments with 140,800, while international enrolments in Schools represented 9,500 students.

Across all education sectors, the largest group of international students have enrolled in Victoria from China (88,300), India (50,300), Malaysia (16,600), Vietnam (12,750) and Sri Lanka (9,500).

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

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

The Simplified Student Visa Framework (SSVF)

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 and the **Student Guardian Visa—Subclass 590** where student guardians can apply for the new Student Guardian Visa.

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

APPLICATION PROCESS FOR INTERNATIONAL STUDENTS

TO SCHOOL

Expression of interest form: must be completed prior to the school year in order to guarantee a position for the student.

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

Apply for a Student Visa: With the formal school offer, students can then apply for the SSVF online.

TO UNIVERSITY

Apply directly online: through the university website and provide all required evidence. In most instances this is prior education, financial and English language competence.

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

Apply for a Student Visa: With the formal university offer, students can then apply for SSVF online.

TABLE 3

Private Schools for International Students, Melbourne

Sample of private schools registered to accept international students, 2019

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

Source: Private Schools Guide

TABLE 4

Universities, Victoria

Universities accepting international students

University Name	World Ranking 2017	Australian Ranking 2017	Adjusted Graduate Salary	Number of International Students	International Students % of Total Students	Annual Average International Student Fees
University of Melbourne	50	1	$58,853	15,534	29%	$35,000
Monash University	114	10	$48,041	23,298	35%	$36,000
Deakin University	341	7	$49,265	7,528	15%	$27,000
RMIT University	364	39	$42,053	26,391	45%	$29,000
La Trobe University	405	36	$48,801	7,811	23%	$26,000
Swinbourne Uni. of Technology	736	34	$45,531	8,425	25%	$24,000
Victoria University	737	33	$51,492	9,903	36%	$23,000
Federation University	1,526	31	$49,265	7,528	15%	$27,000
University of Divinity	13,882	38	$42,589	126	8%	NA

Definitions
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).
Adjusted Graduate Salary is a measure of how well students are doing in the job market some months after graduating based on graduate salaries, rates of unemployment and the proportion of students who go onto further study.
Annual International Student Fees are an estimate only. It is highly recommended to engage directly with the Australian university for information on the course and fees applicable. Further information is available at univeristyreviews.com.au

Source: Knight Frank Research, University Reviews

HOUSING IN MELBOURNE

Times are changing. Many believe Australians still aspire to one day own the 'Great Australian Dream' - a house standing on a 'quarter acre block'. Although with our fast-paced lives, many are now opting for low maintenance living with a high standard of amenity as more people become accustomed to the level of service delivered when travelling, and living in, high-density global cities.

Dwelling Types

Melbourne standalone houses (also known as landed) do continue to be the most dominant dwelling type, representing 68% of all dwellings. This trends lower than the national average of 73% given the greater volume of higher density properties. While semi-detached, row or terrace houses and townhouses, with a compact backyard, comprised a 17% share.

Almost 15% of dwellings are flats or apartments – compared to the national average of 13%. Melbourne's ongoing urban consolidation over the past decade, as well as, the changing demand across the metropolitan area for public parklands and shared facilities.

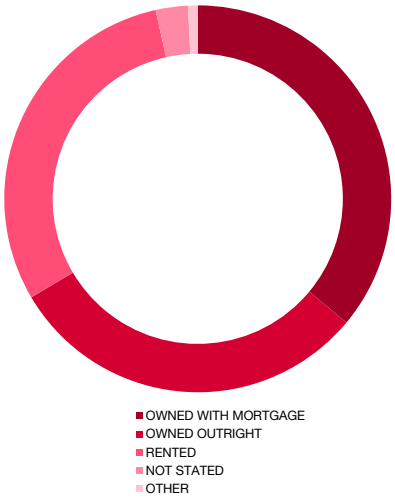
Ownership

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 called the owners corporation (see further information on page 19).

Across Melbourne, on the night of the Census 2016, 30% of residential private properties being lived in were owned outright, whilst 36% were owned with a mortgage. The remainder (30%) were being rented from a landlord.

FIGURE 2
Distribution of Tenure, Melbourne
% of private dwellings



Source: Knight Frank Research, ABS (2016)

Growth precincts

The Victorian government has identified key locations across Melbourne (in no priority order) suitable for urban renewal with new homes and jobs.

Potential urban renewal opportunities close to (and including) railway stations:
- Keon Park station
- Deer Park station
- Nunawading station
- Frankston station
- Hughesdale station
- Watsonia station
- Ringwood station^
- Glen Waverley station^
- Jewell station^
- Essendon station^

Potential urban renewal opportunities along railway corridors:
- Sunshine corridor
- North Richmond to Victoria Park station corridor
- Brunswick to Batman station corridor
- Oakleigh to Dandenong station corridor
- Tottenham corridor
- Dynon corridor^
- Flinders Street to Richmond corridor^

Potential urban renewal opportunities in existing precincts:
- Forrest Hill precinct, South Yarra
- Footscray precinct
- Flemington-Newmarket precinct
- Fishermans Bend Urban Renewal Area
- Caulfield station precinct
- City North precinct
- Highett precinct
- East Richmond station-Cremorne precinct
- E-Gate precinct^
- Arden-Macaulay precinct^
- East Werribee employment precinct^

Potential urban expansion opportunities:
- Donnybrook
- Woodstock
- Wallan
- Beveridge
- Toolern

Emerging employment cluster opportunities:
- Sunshine
- East Werribee
- La Trobe

^ denotes significant parcels of government held land.

Prime properties

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 suburb by value, according to the Real Estate Institute of Victoria (REIV). This was followed by Canterbury and Hawthorn. Brighton, the first Bayside suburb to feature in the top ten was in fourth spot.

The next ranked suburbs include Balwyn, Caulfield North, Malvern, Camberwell, Surrey Hills and South Yarra.

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

Please refer to the important notice at the end of this report.

RENTING IN MELBOURNE

The process of renting (also known as leasing or letting) a residential property can vary in each state, but generally the main factors for a tenant are:

Tenancy Agreement

A tenancy agreement (property lease) is a contract where one party conveys property to another for a specified period of time, in return for a regular payment. When leasing out a property, the owner receives an income, but there are maintenance costs and responsibilities for the landlord. Before signing a tenancy agreement, a tenancy application must be submitted to the real estate agency (property manager) with proof of identity, ability to meet rental payments and good references.

Rent

As stipulated in the tenancy agreement, the tenant agrees to regularly pay rent to the landlord. Most times this is conducted via a property manager and rent must be paid monthly. Any future increases will be stated within the tenancy agreement as the landlord cannot increase the rent until the end of the fixed term, unless otherwise stated.

Term

The length of a tenancy agreement can vary, however the standard term is 12 months for the initial agreement although alternate periods may be negotiable dependant on the requirements of the landlord and/or tenant. Once a tenancy agreement expires, the tenant can request a new fixed term, or alternatively the tenant can stay in the premises at the same rent and conditions until advised. If the tenant is on a month by month tenancy, rent can only be increased every six (6) months.

Bond

A bond is a lump sum payment paid upfront by the tenants as security before moving into the property. This lump sum—usually four (4) or six (6) weeks rent dependant on the weekly rent amount—is held with the Residential Tenancies Board Authority (RTBA). At the termination of the tenancy agreement, if the property is vacated and left in a suitable condition, the bond will be repaid in full to the tenant.

Utility & Service Charges

Responsibility for utility charges will be stipulated within the tenancy agreement—this is not always covered by the landlord. Although, the landlord must pay for the actual installation and initial connection costs for electricity, gas, oil and water supply. If these need replacing, then the landlord must replace them to the minimum efficiency standards.

Inspections & Repairs

Throughout the tenancy, the property will be periodically inspected every six (6) months by the landlord or property manager. A minimum of seven (7) days notice will be given with the purpose of these inspections being to check the maintenance of the property. Repairs to the property that are due to the normal wear and tear of the property must be paid for by the landlord.
Repairs classified as 'urgent' must be completed as soon as possible, while 'non-urgent' repairs must be taken care of before the 14 days of notification.

Furniture

Generally, residential properties do not come furnished, although this becomes more common for a rental property closer to the CBD. This will be clarified in the tenancy agreement.

Terminating the Tenancy

A tenancy can be terminated at the conclusion of the tenancy agreement. However, both landlord and tenant can request to end the tenancy for a variety of reasons. Certain conditions must be met before it can be terminated, including days of notice, number of notices and reason for termination.
For further information, contact Consumer Affairs Victoria.

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 your 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.

The lending environment has become challenging in recent years, when seeking a loan from a financial institution. Many local banks will only lend if 20% of the purchase price has been saved and there is good evidence the property loan can be repaid regularly with the property loan based on market value. Shop around as mortgages and deposits can vary significantly between providers.

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

Search for a property priced to match requirements for location, proximity to transport, work and education and the quality, size and age of the dwelling. Staying abreast of comparable sales will assist in the negotiation process.

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, $1,000) until formal finance is approved; at this time the full deposit (say, 10%) is paid. If 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 as 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 an apartment or house prior to turning sod.

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, especially with smaller and unknown developers, 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 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.

General Costs

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

Land Transfer Duty

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

Legal Fees

Legal fees will vary between legal firms and may be dependent on property value. Generally fees range from $1,000 to $3,000 plus 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 your behalf.

Mortgage Application Fee

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

Please refer to the important notice at the end of this report.

BUYING AS A FIRST HOME BUYER IN MELBOURNE

Both the Australian and state governments provide incentives for Australian first home buyers.

Incentives for First Home Buyers in Australia

First Home Super Scheme

The Australian Government, from 1 July 2017, has allowed individuals to make voluntary concessional (before-tax) and non-concessional (after-tax) contributions into superannuation funds to fast-track the time taken to purchase a new home under the First Home Super Scheme (FHSS).

Since 1 July 2018, individuals can apply to release these voluntary contributions, along with associated earnings, to assist in purchasing their first home. The scheme allows Australians to make voluntary contributions of up to $15,000 in any one financial year, to a maximum $30,000 across all years.

This includes undeducted (non-concessional) personal contributions, deducted (concessional) personal contributions and salary sacrifice contributions. These contributions, which are taxed at 15%, along with deemed earnings, can then be withdrawn for a deposit if the eligibility criteria is met.

Concessional contributions and earnings that are withdrawn will be taxed at marginal rates less a 30% offset. Contributions made under this scheme are not a new type of contribution. They are voluntary contributions made to your superannuation fund. As a result, a separate special account doesn't need to be established nor does the fund need to be notified.

For further information, contact the Australian Taxation Office.

TABLE 5
First Home Super Scheme Eligibility Criteria, Australia
First Home Super Scheme (FHSS)

Conditions
First home buyer – never owned property in Australia – this includes an investment property, vacant land, commercial property, a lease of land in Australia or a company title interest in land in Australia;
Must live in the premises you are buying, or intend to as soon as practicable;
Must intend to live in the property for at least six months of the first 12 months you own it, after it is practical to move in;
Superannuation contributions can be from any age but persons must be a minimum age of 18 years to request for funds to be released;
Not previously requested the Commissioner to issue a FHSS release authority;
Eligibility is assessed on an individual basis—so multiple persons can access their own FHSS contributions to purchase the same property;
If any persons have previously owned a home, it will not stop any other persons being eligible to apply;
Don't sign contract to purchase or construct the home until money is released or there may be FHSS tax liability; this may take up to 25 days.

Source: Australian Taxation Office

Incentives for First Home Buyers in Victoria

First Home Owner Grant

The First Home Owner Grant (FHOG) is currently available in Victoria.
An eligibility criteria must be met before the grant is issued.

TABLE 6
First Home Owner Grant Available
First Home Owner Grant (FHOG)

Victoria; including Melbourne	
Grant	
One-off — in metropolitan area	$10,000
One-off — in regional area	$20,000

Source: State Revenue Office Victoria

TABLE 7
First Home Owner Grant Eligibility Criteria
First Home Owner Grant (FHOG)

Victoria; including Melbourne	
Threshold (the property must valued less than)	
Buyer of new property	$750,000
Conditions	
Dwelling must be new, unless specified;	
Persons must be a minimum age of 18 years;	
At least one applicant is a natural person;	
At least one applicant is an Australian permanent resident or citizen;	
The contract date must be on or after 1 July 2017;	
No persons to have held an interest in any residential property in Australia prior to 1 July 2000;	
No persons to have held an interest in any residential property in Australia on or after 1 July 2000, for a continuous period of at least six months;	
At least one applicant must intend to live in home as Principal Place of Residence for at least 12 months within the first 12 months of settlement.	

Source: State Revenue Office Victoria

Stamp Duty Concessions

Land Transfer Duty (stamp duty) is exempt for first home buyers in Victoria for property valued below $600,000.

A tapered discount will apply for property purchases valued between $600,001 and $750,000.

This Land Transfer Duty exemption applies to both new and established dwellings from 1 July 2017.

HomesVic has been established to assist those eligible with saving for a deposit.

For further information, contact the State Revenue Office Victoria.

Current regulations for foreign investors purchasing residential property in Melbourne

For further information:

Foreign Investment Review Board [FIRB]

firb.gov.au

Department of Immigration and Border Protection

border.gov.au

Non-Permanent Resident (Foreign Investor)

- Must apply and gain approval from the FIRB prior to purchasing property in Australia.
- Applications are generally approved if the property purchased adds to the housing stock, including new dwellings that are yet to be occupied or sold, off-the-plan properties under construction or yet to be built. This includes vacant land for residential development where ongoing construction begins within 24 months.
- Non-permanent residents are forbidden to purchase established dwellings as investment properties or as homes. Although there could be an exception if the established dwelling is being redeveloped into multiple dwellings, and as a result, there is an increase in the dwelling count. Over the development period, the house must remain unoccupied.
- Foreign buyers can purchase an off-the-plan dwelling, when another buyer has failed to reach settlement—reverting to its previous status as a new dwelling. An apartment or house that has just been built, or is still under construction and for which the title has never changed hands, is not considered an established dwelling.

Temporary Resident (Temporary Residency Visa)

- A temporary resident is a person who is residing in Australia and holds a temporary residency visa which permits them to stay in Australia for a continuous period of more than 12 months (regardless of how long remains on the visa); or has submitted an application for permanent residency and holds a bridging visa which permits them to stay in Australia until that application has been finalised.
- Are required to notify FIRB prior to purchasing property in Australia, including an established dwelling, a new dwelling that has been purchased directly from the developer and has not been previously occupied for more than 12 months in total and vacant land for residential development where ongoing construction begins with 24 months. Temporary residents are not permitted to buy established dwellings as investment properties.
- May acquire one established dwelling only and it must be used as their main residence (home) in Australia. Such proposals normally meet with no foreign investment objections subject to conditions; such as, that the temporary resident sells the property when it ceases to be their main residence.

Source: Knight Frank Research, Foreign Investment Review Board, Department of Immigration and Border Protection

Please refer to the important notice at the end of this report.

BUYING A MELBOURNE RESIDENTIAL PROPERTY AS A FOREIGN INVESTOR

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

Foreign Company with Australian Business

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

Investment Migrants (High Net Worth Individuals)

Significant Investor Visa (SIV)

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

Premium Investor Visa (PIV)

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

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

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

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

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

Additional Costs for Foreign Buyers

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

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

Once a property has been identified to purchase, an application must be made to the Australian Foreign Investment Review Board (FIRB).

It is highly recommended that an application is submitted prior to the advance of any transaction—to ensure complete legality of the purchase. Additionally, approval from FIRB is property-specific—one application per property.

When the application is submitted, the government investigates to ensure that the purchase of the property will be in the country's best interest.

A decision on the application is made within 30 days—unless complications or alterations occur, in which it may take up to 90 days.

Foreign Investor Application Fee

All foreign investors must pay a fee before their foreign investment application will be processed.

Foreign investors are required to pay $5,600 to purchase a new property if valued under $1 million, with additional fees payable per million in the value of the property.

This fee does not provide any assurance of securing the property and strict penalties are applied for those who breach the rules.

TABLE 8

Fees payable by Foreign Investors, Residential property

Based on Property Value, AUD

$0 - $1,000,000	$5,600
$1,000,001 - $1,999,999	$11,300
$2,000,000 - $2,999,999	$22,700
$3,000,000 - $3,999,999	$34,000
$4,000,000 - $4,999,999	$45,400
$5,000,000 - $5,999,999	$56,700
$6,000,000 - $6,999,999	$68,100
$7,000,000 - $7,999,999	$79,500
$8,000,000 - $8,999,999	$90,900
$9,000,000 - $9,999,999	$102,300
$10,000,000 or more	tiered per million

An interactive on-line fee estimator is available at firb.gov.au

Source: FIRB

The FIRB provides an interactive fee estimator.

Duty Surcharge

The Victorian state government imposes a duty surcharge for foreign investors, payable in addition to general state-based transfer duties.

Since 1 July 2016, foreign purchasers are required to pay an additional 7% of the sale price.

Other states with foreign investor duties include New South Wales (7%) as of 1 July 2017, Queensland (7%) as of 1 July 2018 and Western Australia (7%) as of 1 January 2019.

TABLE 9

Duties payable by Foreign Investors, Residential property

Based on Property Value, AUD, Payable in addition to general state-based transfer duties

Victoria; including Melbourne	
Duty Surcharge on Purchase Price; from 1 July 2016	7%

Source: State Revenue Office Victoria

Please refer to the important notice at the end of this report.

CASE STUDY: COST TO BUY A NEW RESIDENTIAL PROPERTY IN MELBOURNE

TABLE 10

Estimated Property Purchase Costs, Melbourne

All costs represented in AUD, As at 1 July 2019

Purchase Price	350,000	500,000	750,000	1,000,000	1,250,000	1,500,000
Land Transfer Duty	13,870	21,970	40,070	55,000	82,500	82,500
Land Transfer Fee	910	1,260	1,850	2,430	3,600	3,600
Legal Fee (includes GST payable)	1,500	1,500	1,500	2,000	2,000	2,000
Mortgage Application Fee	110	110	110	110	110	110
General: Estimated Total Costs	**16,390**	**28,840**	**43,530**	**59,540**	**73,880**	**88,210**
Foreign Investor Application Fee*	5,600	5,600	5,600	5,600	11,300	11,300
Foreign Investor Duty Surcharge @7%	24,500	35,000	52,500	70,000	87,500	105,000
Foreign Investor: Estimated Total Costs	**46,490**	**65,440**	**101,630**	**135,140**	**172,680**	**204,510**

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

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

Source: State Revenue Office Victoria, Foreign Investment Review Board

TABLE 11

Estimated Property Purchase Costs, Melbourne

All costs represented in AUD, As at 1 July 2019

Purchase Price	1,750,000	2,000,000	2,250,000	2,500,000	5,000,000	7,500,000
Land Transfer Duty	96,250	110,000	123,750	137,500	275,000	412,500
Land Transfer Fee	3,600	3,600	3,600	3,600	3,600	3,600
Legal Fee (includes GST payable)	3,000	3,000	3,000	3,000	3,000	3,000
Mortgage Application Fee	110	110	110	110	110	110
General: Estimated Total Costs	**102,960**	**116,710**	**130,460**	**144,210**	**281,710**	**419,210**
Foreign Investor Application Fee*	11,300	22,700	22,700	22,700	56,700	79,500
Foreign Investor Duty Surcharge @7%	122,500	140,000	157,500	175,000	350,000	525,000
Foreign Investor: Estimated Total Costs	**236,760**	**279,410**	**310,660**	**341,910**	**688,410**	**1,023,710**

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

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

Source: State Revenue Office Victoria, Foreign Investment Review Board

OWNING IN MELBOURNE

General 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 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. As there are a number of potential allowable deductions, it is recommended that an Australian Tax advisor is consulted.

Owners Corporation

If the purchased property is Strata Titled (a building with common areas and facilities for the use of all occupants of the building), an owners corporation will be established for the building.

A regular fee must be paid to the Owners Corporation to maintain these common areas. This can include elevators, foyers, swimming pools and spa, gymnasiums, plants and foliage, lighting, staircases, fences, visitor car parks and security.

A group of elected people manage the operations and decision-making of the common area of the property.
In most states, the owners corporation comprises of an executive committee (generally individual owners of the apartments) who make decisions on the behalf of their owners.

Land Tax Absentee Owner Surcharge

The Victorian government places a surcharge for an absentee owner (a natural person, corporation or trust) in the land tax year (at 31 December of the preceding year). The absentee owner surcharge for the 2018 land tax year is 1.5% of the unimproved capital land value, in addition to, the general land tax payable.

Vacant Residential Property Tax

The Vacant Residential Property Tax (VRPT) is levied for owners of properties that remain vacant for more than a total of six months in a calendar year. From 1 January 2018, the levy applies annually at a rate of 1% of the property's capital improved value to dwellings in the inner and middle suburbs of Melbourne. There are specific exemptions, such as holiday homes, deceased estates and temporary medical absence from home.

Additional Costs as a Landlord

Property Management Fees

Letting Fees are usually equivalent to two (2) weeks rent paid to the agent as a fee for finding and securing a tenant.
Management Fees cover any costs associated with managing the property and range from 7% to 8.5% plus GST.

Utility and Service Charges

The owner must pay for the use of utilities (electricity, gas, oil and water supply). Although if the owner leases the property to a tenant, some of these can be passed on but this must be stipulated within the tenancy agreement. However, the owner must pay for the actual installation and initial connection costs.

Landlord Insurance

Landlord insurance is 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. To decrease risk, landlord insurance is highly recommended.

WHAT IS THE ROLE OF AN OWNERS CORPORATION?

The rights and responsibilities of both the owners corporation and its members is different in each state but generally comprise:

- Maintain and repair the common property of the strata scheme;
- Manage the finances of the strata scheme;
- Maintain required insurances including public liability and building insurance where applicable;
- Keep records of all details of notices given under the relevant state strata management legislation;
- A strata register must be established and maintained, detailing the owner's name or agent's name and address for each lot within the strata scheme;
- Administration of any by-laws for the strata scheme;
- To provide a grievance register.

Additional Costs for Foreign Owners

Foreign-Owned Vacant Residential Property Levy

The Australian government charges an annual levy for foreign-owned vacant residential property (ghost tax). The levy is equivalent to the FIRB application fee imposed at the time the property was purchased if they fail to occupy or lease for at least six (6) months of the year.

SELLING IN MELBOURNE

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

General Costs

Legal Fees

Legal fees include, but are not limited to, the costs for preparing a contract for sale. The solicitor or conveyancer fee could be dependent on value of property, and may vary between state and territory as well as the particular solicitor chosen. The cost may range between $2,000 and $4,000, plus GST.

Real Estate Agent Fees

An agent fee is the commission paid by the owner, to the agent, for selling the property—either tiered rate 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 a period allocated to marketing with multiple open house inspections over several weeks. Budgets for marketing, media, as well as length of advertising should all be discussed with the agent to ensure maximum advertising potential.

Capital Gains Tax

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.

Additional Costs for Foreign Owners

Capital Gains Tax Clearance Certificate

Foreign and temporary tax residents are no longer entitled to access the CGT main residence exemption from 7.30PM (AEST) on 9 May 2017.

Although, existing properties held prior to this date will be grandfathered until 30 June 2019.

A CGT withholding rate for foreign investors is applicable for all contracts with a market value over $750,000 when signed on or after the 1st July 2017.

This requires 12.5% of the purchase price to be withheld by the purchaser and remitted to the Australian Taxation Office (ATO) unless a clearance certificate has been provided by the vendor. The money withheld is a portion (not in addition to) from the agreed sale price.

If a purchase price negotiated between a purchaser and vendor is on an 'arm's length basis', then the purchase price may be used as a proxy for market value.

The ATO can only grant a clearance certificate to a vendor who is considered to be an Australian resident.

Do note a residency status for tax purposes is not necessarily the same as that for immigration purposes; or for the FIRB. It is recommended to seek professional legal advice to further clarify the residency definition for this legislation.

The foreign resident CGT regime for withholding tax applies to taxable Australian property including vacant land, buildings, residential and commercial property, leaseholds and strata title schemes.

For further information, contact the Australian Taxation Office.

DOWNSIZER INCENTIVE

Downsizers (aged 65+ years) can make a non-concessional (after-tax) contribution into their Superannuation account of up to $300,000 from the sale of their family home.

Introduced from 1 July 2018, the legislation states the property sold must be the person's home (main residence and be eligible for the main residence exemption for capital gains tax) and held for at least the past 10 years.

This will increase their tax-free fund limits. Couples will be able to contribute up to $300,000 each, giving a total contribution per couple of up to $600,000.

Please refer to the important notice at the end of this report.

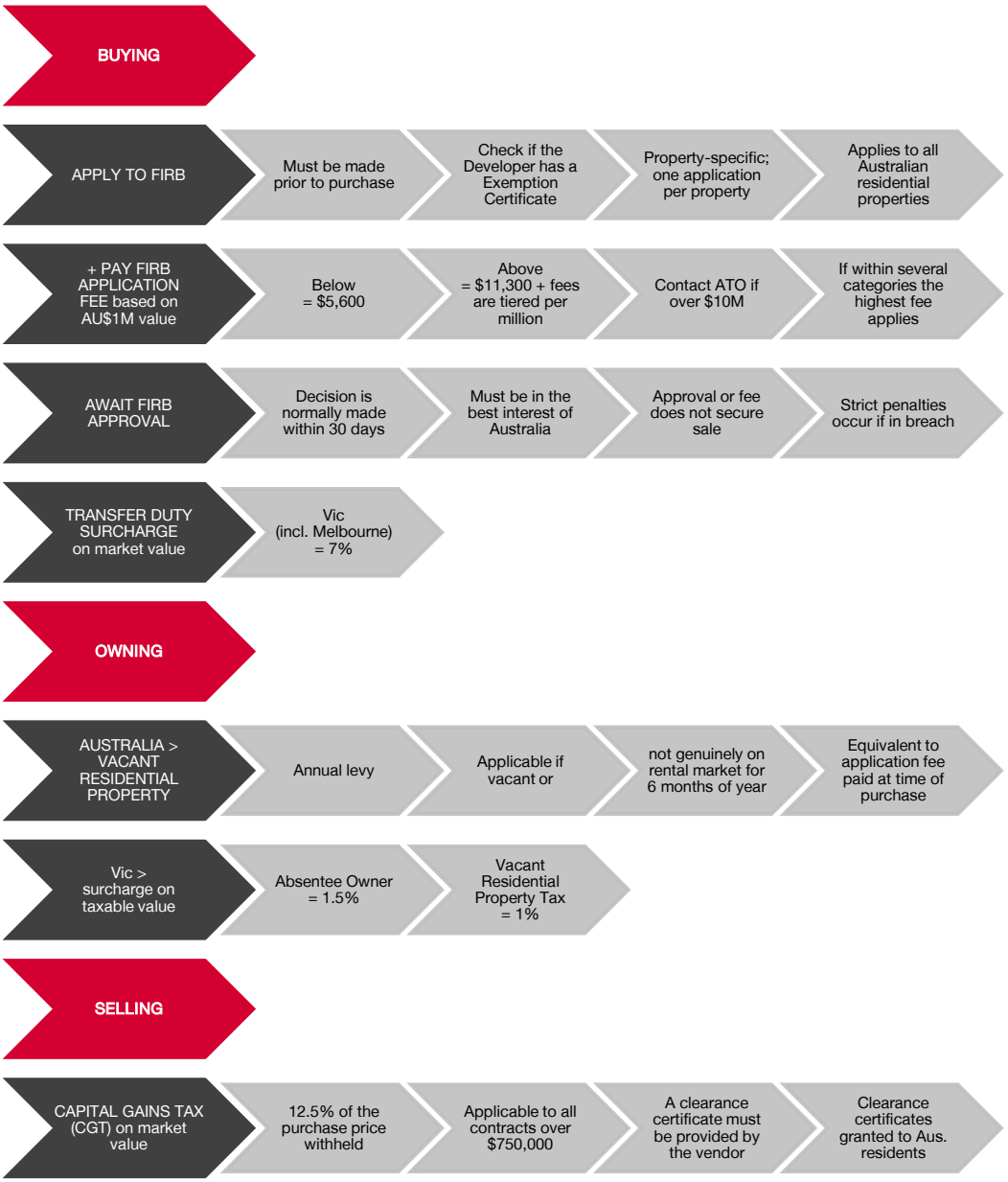
SUMMARY: INVESTING IN A MELBOURNE RESIDENTIAL PROPERTY AS A FOREIGN INVESTOR

In recent years, the federal and state governments have introduced foreign investor fees, tax surcharges and levies. Below is a summary of the current process for foreign buyers when purchasing, owning and selling Australian residential property.

FIGURE 3

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

As at 1 July 2019



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

FEATURE: 10 REASONS TO INVEST IN MELBOURNE

TECH CAPITAL OF AUSTRALIA.

Melbourne is fast-growing as the technology capital of Australia. The City of Melbourne has designed a Startup Action Plan to create more jobs, innovation and productivity for start-ups and entrepreneurs to 'start, grow and go global' by removing any barriers to launch. According to the Global Financial Centres Index compiled by think-tank Z/Yen, Melbourne ranked 15th on the index of global financial centres in 2019. Melbourne scored 729, up by 30 points on the previous year, and gaining pace on Sydney in position 11 with 736 points.

ROBUST ECONOMIC OUTLOOK.

Victoria has resulted with the strongest rate of economic growth (GSP) in Australia over the past five years, averaging 3.3% annual growth, with 3.5% recorded the year ending June 2018. This trended above the national annual average of 3.1%. The unemployment rate for Greater Melbourne averaged 5.9% over the past five years, to record 5.0% in March 2019.

GOVERNMENT INVESTMENT.

The Victorian Government has committed to investing $10.1b per year over the next four years on infrastructure projects. Major transport projects to receive funding include, North East Link—the missing link in Melbourne's freeway network, stage two of the Monash Freeway upgrade, Mordialloc Bypass, Sunbury to Cranbourne-Pakenham Rail Corridor and suburban roads upgrade.

RISE IN INTERNATIONAL VISITORS.

International departure capacity at Melbourne Airport expanded by 45.1% between 2012 and 2017 as reported by OAG Schedules Analyser. The increase has been driven by the airport adding more than 2 million international departure seats over this time. The top two Melbourne to China two-way routes by capacity, in 2017, was with Guangzhou and Shanghai. Each year since 2012, Tourism Australia has calculated international visitors to Melbourne has grown on average 9.5%.

GROWTH IN INTERNATIONAL STUDENTS.

The number of international students enrolled to study in Victorian education facilities rose 10.8% in the year ending December 2018, according to the Department of Education and Training. Higher education facilities saw growth of 15.9%, while school-aged international students grew 7.7%. The SSVF has made the process of applying for a student visa in Australia easier to navigate for both students and guardians.

Source: Knight Frank Research

Please refer to the important notice at the end of this report.

FEATURE: 10 REASONS TO INVEST IN MELBOURNE

HIGH RANKING LIVEABILITY.

Melbourne has been best placed for liveability when measured against other cities in Australia for the past decade. In 2019, the Economist's Intelligence Unit ranked Melbourne in 2nd position from 140 global cities based on stability, infrastructure, education, health care and environment. Mercer placed Melbourne in 17th position, from 231 cities in their Quality of Life index. At the last Census, the ABS ranked Melbourne's Boroondara, Bayside, Stonnington and Port Phillip in the top 25 Australian advantaged local government areas according to relative socio-economic conditions of people and households.

SIGNIFICANT POPULATION GROWTH.

The population in Melbourne has been significantly rising and is the strongest of all Australian capital cities. Over the year ending June 2018, an increase in the estimated resident population was recorded at 2.5%, to total 4.96 million persons. According to the ABS, this is well-above the overall Australian population growth of 1.6%. Overseas migration, recently fuelled by interstate relocation, has resulted in exceptional population growth in the city. Melbourne population is projected to grow annually by a minimum of 1.9%, to 7.6 million persons by 2041. By this time, with the current rate of growth, Melbourne is likely to overtake the population of Sydney.

CONSTRUCTION SLOWED AS VACANCY FALLS.

In Melbourne, construction starts have slowed with much of the recently added new rental stock being absorbed as developers seek finance and pre-sales before construction can pick up once again. This lull in construction can only be short-lived in order to meet Melbourne's significant population growth, as total vacancy was a low 2.2% in March 2019 (REIV), trending below market equilibrium of 3%.

WEALTH FLOWS.

The number of high-net-worth individuals (HNWIs) in Melbourne continues to rise. According to GlobalData WealthInsight, the number of HNWIs – those with a net worth of more than US$1 million, excluding their primary residence – is expected to grow by 21% from 2018 to 2023, to reach a total of 68,900 in Melbourne. Over the past five years three millionaires were created every day in Melbourne, this is expected to rise to seven millionaires per day over the next five years. In 2018, the number of ultra-high-net-worth individuals (UHNWIs) grew by 4%, to 519, and projected to rise another 21% over the next five years.

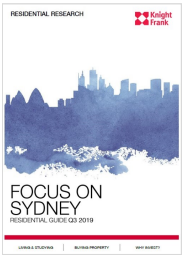
RELATIVE VALUE TO OTHER GLOBAL CITIES.

As wealth creation continues, Melbourne prime property prices grew 2.1% in the year ending June 2019. Knight Frank considers prime property to be the most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value. The other factor to consider is the global value proposition. At the end of June 2019, US$1m could buy 97 sqm of prime property in Melbourne, compared to 51 sqm in Sydney, while in Monaco, only 16 sqm could be purchased. At the same time, 22 sqm in Hong Kong, 31 sqm in London and 32 sqm in New York.

Source: Knight Frank Research

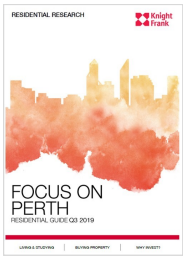
Knight Frank Residential Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

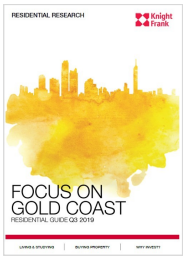


Focus On Sydney Q3 2019

Focus On Brisbane Q3 2019



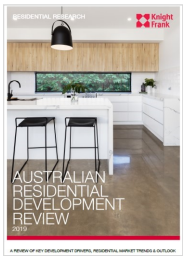
Focus On Perth Q3 2019



Focus On Gold Coast Q3 2019

Australian Residential Review Q3 2019

Melbourne Apartments Development Series H1 2019



Australian Residential Development Review 2019

The Wealth Report 2019

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