



*Living, Studying & Working*



*International Buying Rules & Process*



*Buying, Owning & Selling Property*



# Melbourne Residential Buyer Guide

2021-22

[knightfrank.com/research](https://knightfrank.com/research)



# LIVING IN MELBOURNE

*An overview of living in Melbourne and the process involved when buying, owning and selling residential property.*

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.

## Liveability

Melbourne offers an outstanding lifestyle compared to other global cities. From 100 cities, Melbourne ranked 11th on the Knight Frank City Wellbeing Index 2021 after consideration was given to a host of factors including personal security, lifestyle, healthcare, crime, work-life balance and access to green space. Whilst Melbourne placed 46th on the Knight Frank City Wealth Index 2021 after being ranked 33rd for investment, 51st for lifestyle and 59th for wealth.

The Economist Intelligence Unit ranked Melbourne 8th for most liveable from 140 cities based on stability, health care, environment, education and infrastructure, whilst Mercer ranked Melbourne 17th for quality of living from 231 cities evaluated on 39 factors extending to political, economic, personal safety, transportation and other public services.

## World-Class Education

Australia provides a world-class education system with many

exceptional schools and universities.

For international students, 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.

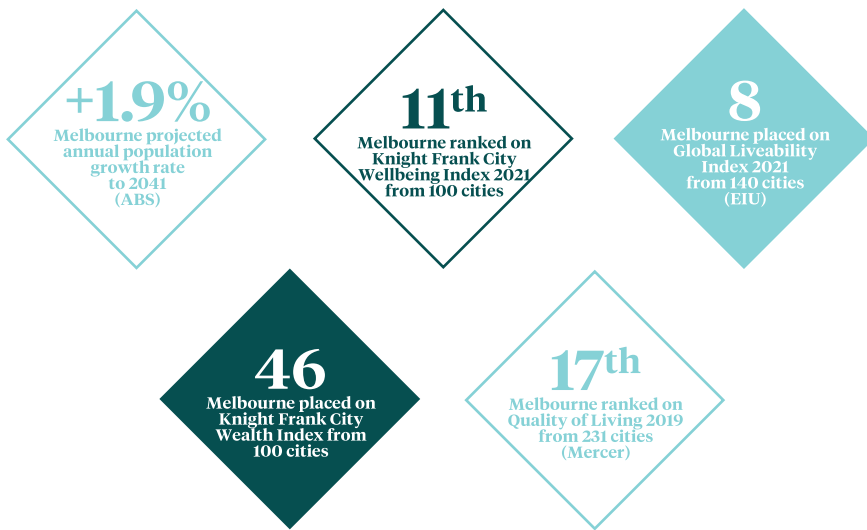
This provides a wide range of options when studying in Australia with many Australian universities also setting up campuses in major international hubs.

## Noted











Melbourne, located on the East Coast of Australia in the state of Victoria, is the second largest capital city with 5.2 million residents in 2020 – growing at a rate of 1.6% per annum.

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.



**Flying Time, Melbourne Airport**  
Direct International Flights

	8 HOURS SINGAPORE	
	8 HOURS KUALA LUMPUR	
	9 HOURS HONG KONG	
	10 HOURS SHANGHAI	
	13 HOURS BEIJING	

**Local Suburban Neighbourhoods, Melbourne**

NEIGHBOURHOOD	KEY ATTRIBUTES	POPULAR SUBURBS
MELBOURNE CITY	World-class sporting events Comedy shows City campus universities Fresh produce markets	Melbourne CBD, Docklands, Southbank, North Melbourne, Carlton, Fitzroy, South Melbourne, East Melbourne, Port Melbourne
INNER EAST	Boutique fashion shopping Cafés filled with 'old wealth' clientele Culture pot accessible by tram Nightlife along retail strips	South Yarra, Toorak, Hawthorn, Richmond, Kew, Cremorne, Armadale, Malvern, Malvern East, Box Hill, Camberwell, Canterbury, Prahran, Windsor
BAYSIDE	Beach boxes Relaxed, tourist hotspot 'New wealth' professionals Restaurants in tree-lined streets	St Kilda, Elwood, Elsternwick, Brighton, Hampton, Sandringham, Black Rock, Beaumaris, Middle Park, Albert Park, Gardenvale, St Kilda West
NORTH MELBOURNE	Hipster laneway cafés Upcycle culture Live music scene Street art dotted around historic workers cottages	Brunswick, Northcote, Thornbury, Coburg, Collingwood, Heidelberg, Preston, Ivanhoe, Pascoe Vale, Fairfield, Brunswick East, Brunswick West
WEST MELBOURNE	Great outdoors with parks and bike tracks Melbourne Airport Mix of old and new housing estates Laid-back, good value	Yarraville, Footscray, Seddon, Essendon, Moonee Ponds, Sunshine, Ascot Vale, Keilor East, West Footscray, Altona, Williamstown, Altona North

Source: Knight Frank Research

# STUDYING & WORKING IN MELBOURNE

## Private Schools, International Students, Melbourne

List of private schools registered to accept international students, 2020

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

## Universities, Victoria

Universities accepting international students, 2022

UNIVERSITY	WORLD RANKING	AUS. RANKING	OVERALL SCORE	INT. STUDENTS RATIO	ACADEMIC REP.	MAP REF.
The University of Melbourne	37	2	814	99.9	98.9	C3.D2.D3.E2
Monash University	58	6	72.2	100.0	88.9	D2.D3.E3.E6.F4
Deakin University	283	16	36.1	72.4	28.1	B5.C3.D1D2.E3.E4
RMIT University	206	14	42.8	95.0	37.1	D2.E2
La Trobe University	362=	21	30.8	97.5	20.7	D2
Swinburne University of Technology	321	19	33.0	85.1	13.9	D2.E2.E3
Victoria University	601-650	29	NA	89.7	8.1	C1C3.D2

**World Ranking** is the QS World University Ranking by evaluating six metrics: Academic Reputation (40%), Employer Reputation (10%), Faculty/Student Ratio (20%), Citations per faculty (20%), International Faculty Ratio (5%) and International Student Ratio (5%). **International Student Ratio** is calculated on the ability to attract faculty and students from across the world, which in turn suggests that it possesses a strong international brand. **Academic Reputation** is derived from collating the expert opinions of over 130,000 individuals in the higher education space regarding teaching and research quality at the world's universities. Further information is available at [www.topuniversities.com](http://www.topuniversities.com)

Source: Knight Frank Research, QS Intelligence Unit

Note: MAP REF. refers to the map located on Page 12.

## 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.

**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.

Most suburbs are accessible via bus, tram, truck and car.



# 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.

# INTERNATIONAL INVESTOR BUYING RULES

The Australian Government welcomes and encourages international investment into Australia's residential property market. The current rules around international 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).

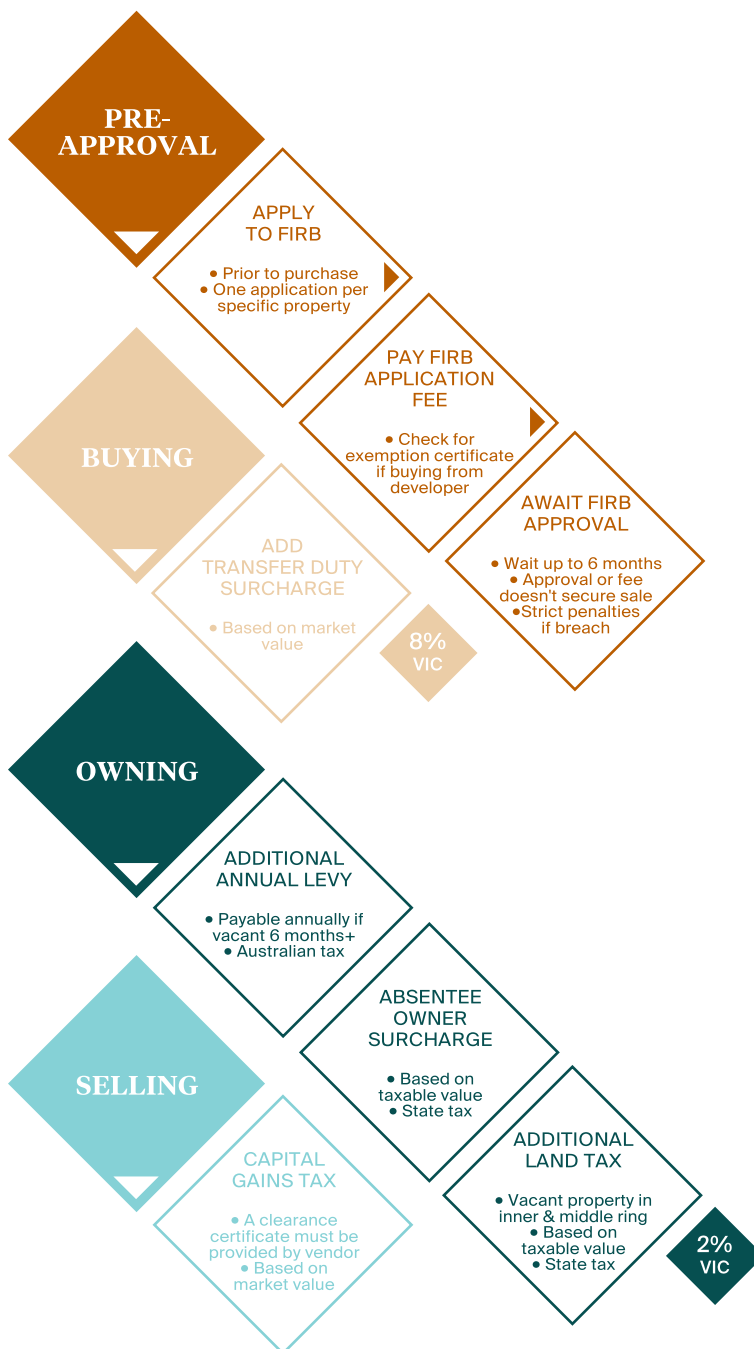
	INTERNATIONAL INVESTOR	TEMPORARY RESIDENT	OFFSHORE COMPANY WITH AUSTRALIAN BUSINESS
<b>DEFINITION</b>	A natural person who is not an Australian citizen and is a non-resident.	A person residing in Australia and holds a temporary residency visa which allows them to stay for continuous period of 12+ months 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.
<b>FIRB APPLICATION</b> Must gain approval before purchasing any property	YES	YES	YES
<b>CAN BUY OFF-THE-PLAN</b> Construction stage, new & not yet occupied	YES	YES	YES
<b>CAN BUY OFF-THE-PLAN</b> When another buyer has failed to reach settlement	YES	YES	YES
<b>CAN BUY VACANT LAND</b> If residential construction starts within 24 months	YES	YES	TBC
<b>CAN BUY ONE ESTABLISHED DWELLING</b> With vacant possession throughout the redevelopment scheduled to increased dwelling count	YES	NO	TBC
<b>CAN BUY ONE ESTABLISHED DWELLING</b> With no redevelopment scheduled, being main residence	NO	YES	YES
<b>CAN BUY ONE OR MORE ESTABLISHED DWELLINGS</b> As investment properties	NO	NO	NO
<b>MAIN RESIDENCE</b> Must be sold if ceases to be main residence	N/A	YES	YES
<b>CAN BUY ESTABLISHED DWELLING</b> To provide housing for Australian-based employees	N/A	N/A	YES
<b>VACANT PROPERTY</b> 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

# INTERNATIONAL INVESTOR BUYING PROCESS

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

As at 1 July 2021



“Before purchasing a residential property in Australia, all international 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, Australian Government, State Revenue Office Victoria

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 July 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
<b>Standard: Estimated Total Costs</b>	<b>\$18,730</b>	<b>\$28,080</b>	<b>\$43,660</b>
International Investor FIRB Application Fee	\$6,350	\$6,350	\$6,350
International Investor Duty Surcharge @ 0.08	\$28,000	\$40,000	\$60,000
<b>International Investor: Estimated Total Costs</b>	<b>\$53,080</b>	<b>\$74,430</b>	<b>\$110,010</b>

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
<b>Standard: Estimated Total Costs</b>	<b>\$59,180</b>	<b>\$73,510</b>	<b>\$87,850</b>
International Investor FIRB Application Fee	\$6,350	\$12,700	\$12,700
International Investor Duty Surcharge @ 0.08	\$80,000	\$100,000	\$120,000
<b>International Investor: Estimated Total Costs</b>	<b>\$145,530</b>	<b>\$186,210</b>	<b>\$220,550</b>

PURCHASE PRICE	\$1,750,000	\$2,000,000	\$2,250,000
Transfer Duty (Stamp Duty)	\$96,250	\$110,000	\$126,250
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
<b>Standard: Estimated Total Costs</b>	<b>\$101,600</b>	<b>\$115,350</b>	<b>\$131,600</b>
International Investor FIRB Application Fee	\$12,700	\$25,400	\$25,400
International Investor Duty Surcharge @ 0.08	\$140,000	\$160,000	\$180,000
<b>International Investor: Estimated Total Costs</b>	<b>\$254,300</b>	<b>\$300,750</b>	<b>\$337,000</b>

PURCHASE PRICE	\$2,500,000	\$5,000,000	\$7,500,000
Transfer Duty (Stamp Duty)	\$142,500	\$305,000	\$467,500
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
<b>Standard: Estimated Total Costs</b>	<b>\$147,850</b>	<b>\$310,350</b>	<b>\$472,850</b>
International Investor FIRB Application Fee	\$25,400	\$63,500	\$88,900
International Investor Duty Surcharge @ 0.08	\$200,000	\$400,000	\$600,000
<b>International Investor: Estimated Total Costs</b>	<b>\$373,250</b>	<b>\$773,850</b>	<b>\$1,161,750</b>

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.

### 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.

## LANDLORD COSTS

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

### 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.

## 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.

# SELLING IN MELBOURNE

## INTERNATIONAL OWNER COSTS

### Land Tax Surcharge for International Owners

The Victorian government has imposed a 2% land tax 'Absentee Owner Surcharge' for international 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 International 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.



**“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.”**



## 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 for the residential property.

### 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.

## INTERNATIONAL OWNERS SELLING COSTS

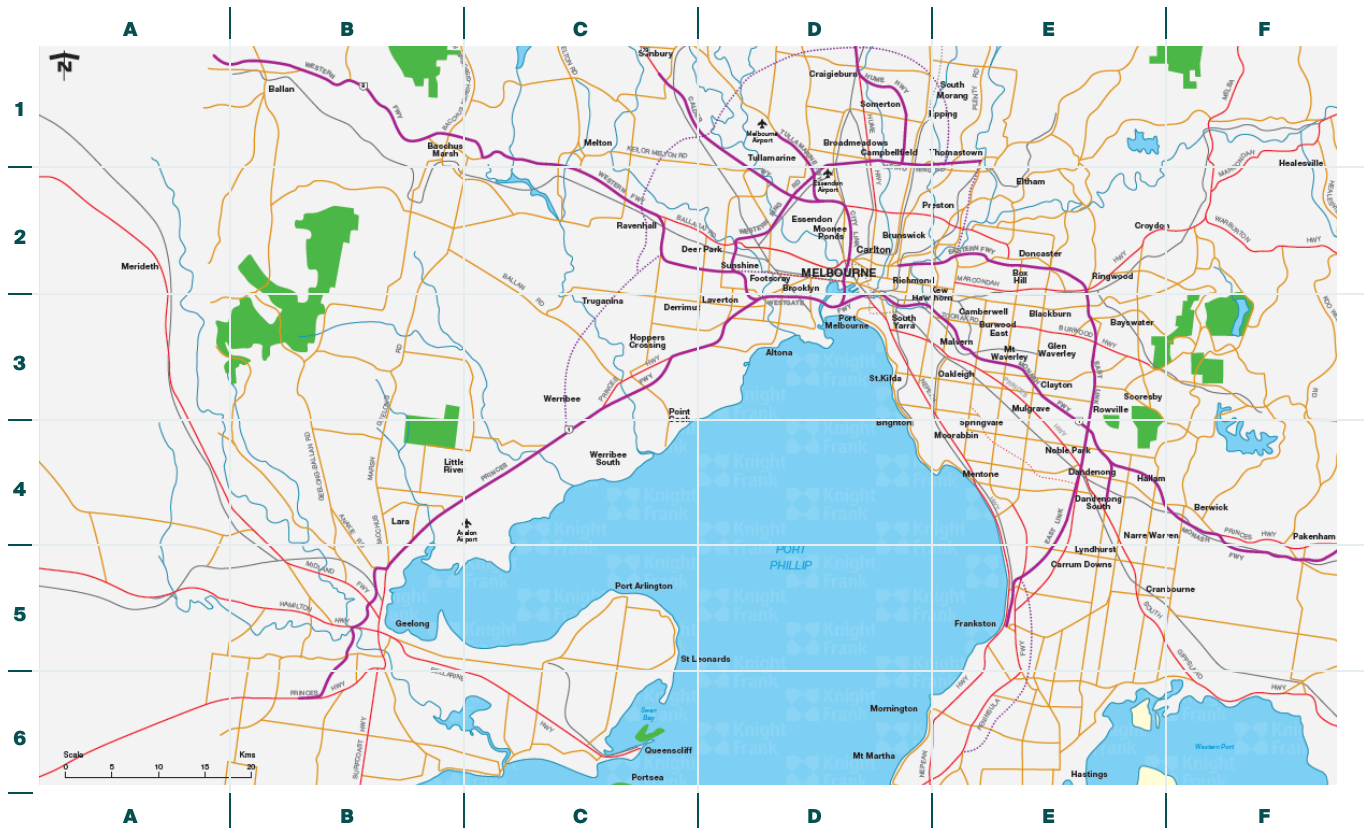
### Foreign Resident Capital Gains Withholding

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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