

# Melbourne Residential Property Guide

2022-23

knightfrank.com/research



# LIVING IN MELBOURNE

*Where is the capital city of Melbourne located  
and what is the weather like?*

Melbourne is home to some of the biggest sporting and cultural events in the world.

### Location



Melbourne is located on the East Coast of Australia in the state of Victoria.

### Population



Melbourne is the second largest capital city in Australia with 5.1 million residents in 2021—growing at a rate of –1.2% per annum. In 2019, prior to the pandemic, annual population growth was 2.3%.

### Time zone



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.





### Weather



Melbourne enjoys hot dry summers, with the hottest month being January. While winters are cold and cloudy with an evening frost. July is the coldest month. The highest daily sunshine is in the month of January for 11 hours.

### Flying Time, Melbourne Airport

Direct International Flights

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

# EVENTS IN MELBOURNE

*Which major cultural and sporting events  
take place in Melbourne?*

## SUMMER

**December  
January  
February**

- Carols by Candlelight
- Boxing Day Test
- New Years Eve Fireworks
- Australian Open Tennis
- Chinese New Year Festival

## AUTUMN

**March  
April  
May**

- Melbourne Fashion Festival
- Australian International Air Show
- Moomba Festival
- Melbourne International Flower and Garden show
- Formula 1 Australian Grand Prix
- Melbourne International Comedy Festival
- Rip Curl Pro Bells Beach

## WINTER

**June  
July  
August**

- Winter Night Markets
- Melbourne Food and Wine Festival
- Oz Comic-con Melbourne
- Melbourne International Film Festival
- Fishing and Boating Expo

## SPRING

**September  
October  
November**

- Melbourne Spring Fashion Week
- Royal Melbourne Show
- AFL Grand Final
- Melbourne Fringe Festival
- Australian Motorcycle Grand Prix
- Melbourne International Jazz Festival
- Melbourne Cup

# DEMOGRAPHIC PROFILE OF MELBOURNE

*Who lives in Melbourne, where were they born  
and what is their religion?*



## Age Distribution

Greater Melbourne residents are primarily middle aged.

In 2021, 36.3% of the population was aged between 15 and 39 years old; compared to the national average of 33.4% for this age group.

The median age of the population in Greater Melbourne was 37 years, slightly lower than the national average of 38 years.

Children aged 0-14 years comprised 18.2% while people aged 65+ years made up 15.1% of the population.



## Multiculturalism

The Greater Melbourne population comprised 40.1% of people being born outside of Australia, higher than the national average of 33.1%.

The most prominent countries of birth include India (4.9%), China (3.4%), England (2.7%), Vietnam (1.8%) and New Zealand (1.7%).

In addition, approximately 49.3% of Greater Melbourne parents were born overseas, higher than national (36.7%).



## Religion

The Catholic religion was practiced by 20.8% of Greater Melbourne residents at the time of the Census 2021, this was followed by Anglican at 5.5%, then Islam with 5.3%.

No religion was the most common response in Greater Melbourne with 36.9% of the population.

# DEMOGRAPHIC PROFILE OF MELBOURNE

*What are the common languages spoken in Melbourne homes, how are they educated and what industries are they occupied in?*



## Language

Aside from English, Mandarin (4.3%) is the most common language spoken in a Greater Melbourne household.

Other typical languages include Vietnamese (2.3%), Greek (2.1%), Punjabi (2.0%) and Arabic (1.8%).



## Education

In Greater Melbourne, 31.4% of the population were attending an educational institution at the time of the 2016 Census.

Of these, 25.1% were in primary school, 19.5% in secondary school and 26.1% in a tertiary or technical institution.



## Work

The most common occupation of Greater Melbourne residents is in Professional Services—at 25.0% compared to the national 22.2% average in the Census 2016.

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 Greater Melbourne, 3.7% worked in hospitals. Other major industries of employment included cafés and restaurants (2.7%), supermarket and grocery stores (2.2%) and computer system design and related services (2.2%).

# NEIGHBOURHOODS OF MELBOURNE

*What are the key attributes of the popular suburban neighbourhoods in 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

# WORKING IN MELBOURNE

*Where are the key employment hubs across Melbourne?*

## 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.

# STUDYING IN AUSTRALIA

*What is the school and university platform for International students in Australia?*

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.

## STUDYING: SCHOOL

**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.

## STUDYING: UNIVERSITY

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

Many universities also offer distance and online education where students can have flexible study load (full-time or part-time) with professional recognition and graduate with the same qualification.

# MELBOURNE PRIVATE SCHOOLS

*Where are Melbourne's private schools registered to accept international students in 2022?*

SUBURB	SCHOOL	RELIGION	GENDER	GRADE
Alphington	Alphington Grammar	Non-denominational	Co-ed	pre-K-12
Armadale	Lauriston Girls' School	Non-denominational	Girls	K-12
Balwyn	Fintona Girls' School	Non-denominational	Girls	pre-K-12
Belgrave	Mater Christi College	Catholic	Girls	7-12
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
Chirnside Park	Oxley Christian College	Christian	Co-ed	K-12
Clarinda	Heatherton Christian College	Christian	Co-ed	pre-12
Coburg	Mercy College	Catholic	Girls	7-12
Coburg	Australian Interational Academy, King Khalid Coburg	Muslim	Co-ed	pre-K-6
Coburg North	Australian International Academy, Melbourne Secondary	Muslim	Co-ed	6-12
Croydon Hills	Luther College	Lutheran	Co-ed	7-12
Doncaster East	Ss Peter & Pauls School	Catholic	Co-ed	pre-6
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
Keilor East	Penleigh and Essendon Grammer School	Uniting Church	Co-ed	Pre-10
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
Mickleham	Hume Anglican Grammar	Anglican	Co-ed	pre-K-12
Mount Eliza	Toorak College	Non-denominational	Co-ed	pre-K-12
Mount Waverley	Huntingtower	Christian	Co-ed	pre-K-12
Noble Park	St Anthony's Primary School	Catholic	Co-ed	Pre-6
Noble Park North	Nazareth College	Catholic	Co-ed	7-12
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
Pakenham	Beaconhills College	Anglican and Uniting	Co-ed	pre-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: Knight Frank Research, Private Schools Guide

# MELBOURNE UNIVERSITIES

*Where are the universities in the state of Victoria  
accepting international students in 2023?*

UNIVERSITY	WORLD RANKING	AUSTRALIA RANKING	OVERALL SCORE	INTERNATIONAL STUDENT RATIO	ACADEMIC REPUTATION
The University of Melbourne	33	2	82	99.8	98.6
Monash University	57	6	72	87.6	80.8
RMIT University	=190	11	45	36.6	55.5
Deakin University	266	16	38	27.6	30.7
Swinburne University of Technology	=296	18	35	13.0	16.4
La Trobe University	316	20	34	20.8	20.9
Victoria University	701-750	32	NA	7.3	6.4

## Definitions

**World Ranking, Australia Ranking and Overall Score** 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

# WHAT IS THE STANDARD PROCESS FOR BUYING A RESIDENTIAL PROPERTY?

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: AN 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 it.

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 sometimes 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.

# WHAT ARE THE INTERNATIONAL INVESTOR BUYING RULES?

The current rules around international buyers investing in Australian residential property aims to direct investment into new housing, increasing the housing supply and support local economic activity.

Before purchasing a residential property in Australia, all international investors must apply and be approved by the Foreign Investment Review

Board (FIRB). Different rules apply to three main investor groups:

## International investor

A natural person who is not an Australian citizen and is a non-resident.

## Temporary 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.

## Offshore company with an Australian business

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.

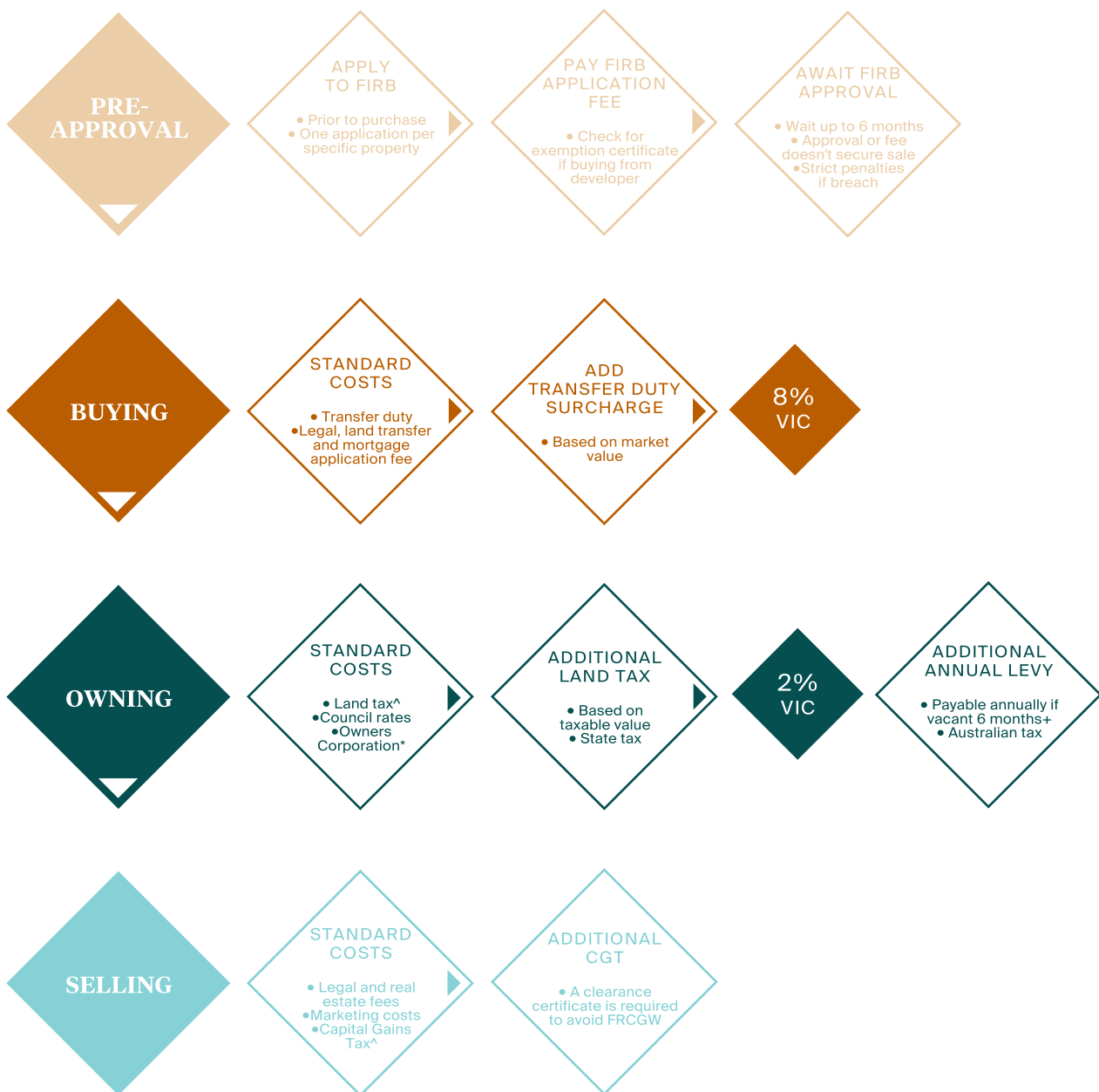
SCENARIO	INTERNATIONAL INVESTOR	TEMPORARY RESIDENT	OFFSHORE COMPANY WITH AUSTRALIAN BUSINESS
<b>SUBMIT FIRB APPLICATION</b> Must gain approval and pay fee before purchasing any property	YES	YES	YES
<b>CAN BUY OFF-THE-PLAN</b> Construction stage, new & not yet occupied	YES	YES	YES
<b>CAN BUY OFF-THE-PLAN</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	OA
<b>CAN BUY ONE ESTABLISHED DWELLING</b> With vacant possession throughout the redevelopment scheduled to increased dwelling count	YES	NO	OA
<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 property ceases to be main residence	N/A	YES	YES

Source: Knight Frank Research, Foreign Investment Review Board

N/A is not applicable, OA is on application

# THE INTERNATIONAL INVESTOR BUYER PROCESS

*What is the process for international investors when buying, owning and selling residential property in Melbourne as at 29 July 2022?*



# WHAT ARE THE COSTS OF BUYING A PROPERTY?

## 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 NSW Office of State Revenue, and a fee is charged. This document 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.

## ADDITIONAL INTERNATIONAL BUYING COSTS

### FIRB Application Fee

Before purchasing a residential property in Australia, all international investors must apply to the FIRB before the application will be processed.

For most applications, the statutory timeframe is 30 days for making a decision and will not start until the correct fee has been paid at the time the application is made or notice is given.

The fees that are payable depend on the value and type of action being taken, and whether special fee rules apply. International persons are required to pay a fee for each application made, or notice given.

Once a foreign investment application has been lodged through the Australian Taxation Office (the ATO) Portal, applicants will receive an on-screen confirmation containing the fee details.

It's important to note that seeking approval from the FIRB is property-specific; therefore one application per property. Also the fee on application



**“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.”**



does not provide any assurance of securing the property.

### Transfer Duty Surcharge

In Victoria, in addition to the transfer duty, a transfer duty surcharge is payable for international investors of 8% on the market property value at the time of purchase.

# FIRB APPLICATION FEES

*What are the Foreign Investment Review Board (FIRB)  
application fees payable across Australia  
as at 29 July 2022?*

PROPERTY VALUE (\$A)	FEE (\$A)	PROPERTY VALUE (\$A)	FEE (\$A)
\$0 - \$75,000	\$4,000	\$20,000,001 - \$21,000,000	\$528,000
\$75,001 - \$1,000,000	\$13,200	\$21,000,001 - \$22,000,000	\$554,400
\$1,000,001 - \$2,000,000	\$26,400	\$22,000,001 - \$23,000,000	\$580,800
\$2,000,001 - \$3,000,000	\$52,800	\$23,000,001 - \$24,000,000	\$607,200
\$3,000,001 - \$4,000,000	\$79,200	\$24,000,001 - \$25,000,000	\$633,600
\$4,000,001 - \$5,000,000	\$105,600	\$25,000,001 - \$26,000,000	\$660,000
\$5,000,001 - \$6,000,000	\$132,000	\$26,000,001 - \$27,000,000	\$686,400
\$6,000,001 - \$7,000,000	\$158,400	\$27,000,001 - \$28,000,000	\$712,800
\$7,000,001 - \$8,000,000	\$184,800	\$28,000,001 - \$29,000,000	\$739,200
\$8,000,001 - \$9,000,000	\$211,200	\$29,000,001 - \$30,000,000	\$765,600
\$9,000,001 - \$10,000,000	\$237,600	\$30,000,001 - \$31,000,000	\$792,000
\$10,000,001 - \$11,000,000	\$264,000	\$31,000,001 - \$32,000,000	\$818,400
\$11,000,001 - \$12,000,000	\$290,400	\$32,000,001 - \$33,000,000	\$844,800
\$12,000,001 - \$13,000,000	\$316,800	\$33,000,001 - \$34,000,000	\$871,200
\$13,000,001 - \$14,000,000	\$343,200	\$34,000,001 - \$35,000,000	\$897,600
\$14,000,001 - \$15,000,000	\$369,600	\$35,000,001 - \$36,000,000	\$924,000
\$15,000,001 - \$16,000,000	\$396,000	\$36,000,001 - \$37,000,000	\$950,400
\$16,000,001 - \$17,000,000	\$422,400	\$37,000,001 - \$38,000,000	\$976,800
\$17,000,001 - \$18,000,000	\$448,800	\$38,000,001 - \$39,000,000	\$1,003,200
\$18,000,001 - \$19,000,000	\$475,200	\$39,000,001 - \$40,000,000	\$1,029,600
\$19,000,001 - \$20,000,000	\$501,600	\$40,000,001 +	\$1,045,000

Further information is available at [www.firb.gov.au](http://www.firb.gov.au) | Guidance Note 10—Fees on foreign investment applications

Source: Knight Frank Research, FIRB

# CASE STUDY

## ESTIMATED COSTS TO BUY

*What is the estimated costs to buy a new residential investment property in Melbourne as at 29 July 2022?*

PURCHASE PRICE (\$A)	\$350,000	\$500,000	\$750,000
Transfer Duty (Stamp Duty)	\$16,070	\$25,070	\$40,070
Land Transfer Fee	\$1,070	\$1,420	\$2,000
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
<b>Standard: Estimated Total Costs</b>	<b>\$18,740</b>	<b>\$28,090</b>	<b>\$43,670</b>
International Investor FIRB Application Fee	\$13,200	\$13,200	\$13,200
International Investor Duty Surcharge @ 8.0%	\$28,000	\$40,000	\$60,000
<b>International Investor: Estimated Total Costs</b>	<b>\$59,940</b>	<b>\$81,290</b>	<b>\$116,870</b>

PURCHASE PRICE (\$A)	\$1,000,000	\$1,250,000	\$1,500,000
Transfer Duty (Stamp Duty)	\$55,000	\$68,750	\$82,500
Land Transfer Fee	\$2,590	\$3,170	\$3,760
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
<b>Standard: Estimated Total Costs</b>	<b>\$59,190</b>	<b>\$73,520</b>	<b>\$87,860</b>
International Investor FIRB Application Fee	\$13,200	\$26,400	\$26,400
International Investor Duty Surcharge @ 8.0%	\$80,000	\$100,000	\$120,000
<b>International Investor: Estimated Total Costs</b>	<b>\$152,390</b>	<b>\$199,920</b>	<b>\$234,260</b>

PURCHASE PRICE (\$A)	\$1,750,000	\$2,000,000	\$2,250,000
Transfer Duty (Stamp Duty)	\$96,250	\$110,000	\$126,250
Land Transfer Fee	\$3,760	\$3,760	\$3,760
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
<b>Standard: Estimated Total Costs</b>	<b>\$101,610</b>	<b>\$115,360</b>	<b>\$131,610</b>
International Investor FIRB Application Fee	\$26,400	\$26,400	\$52,800
International Investor Duty Surcharge @ 8.0%	\$140,000	\$160,000	\$180,000
<b>International Investor: Estimated Total Costs</b>	<b>\$268,010</b>	<b>\$301,760</b>	<b>\$364,410</b>

PURCHASE PRICE (\$A)	\$2,500,000	\$5,000,000	\$7,500,000
Transfer Duty (Stamp Duty)	\$142,500	\$305,000	\$467,500
Land Transfer Fee	\$3,760	\$3,760	\$3,760
Legal Fee (includes GST)	\$1,000	\$1,000	\$1,000
Mortgage Application Fee	\$600	\$600	\$600
<b>Standard: Estimated Total Costs</b>	<b>\$147,860</b>	<b>\$310,360</b>	<b>\$472,860</b>
International Investor FIRB Application Fee	\$52,800	\$105,600	\$184,800
International Investor Duty Surcharge @ 8.0%	\$200,000	\$400,000	\$600,000
<b>International Investor: Estimated Total Costs</b>	<b>\$400,660</b>	<b>\$815,960</b>	<b>\$1,257,660</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

# WHAT ARE THE COSTS WHEN OWNING A PROPERTY?

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.

## STANDARD COSTS

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

### 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.

## ADDITIONAL INTERNATIONAL OWNER COSTS

### 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.

### Land Tax Surcharge for International Owners

The Victorian government imposes a 2% land tax 'Absentee Owner Surcharge' for international owners.

As well, an additional 1% land tax surcharge for properties located in the Inner and Middle Suburbs of Melbourne. These are both payable in addition to general land tax and is based on the taxable value.

# WHAT ARE THE LANDLORD COSTS FOR RENTING OUT A PROPERTY?

## STANDARD 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.

# WHAT COSTS ARE PAYABLE WHEN SELLING A PROPERTY?

## STANDARD 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 at a fixed rate.

Do ensure the breakdown of the fee structure is understood 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.

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.

## ADDITIONAL INTERNATIONAL 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 A\$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 A\$2 million and above.

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

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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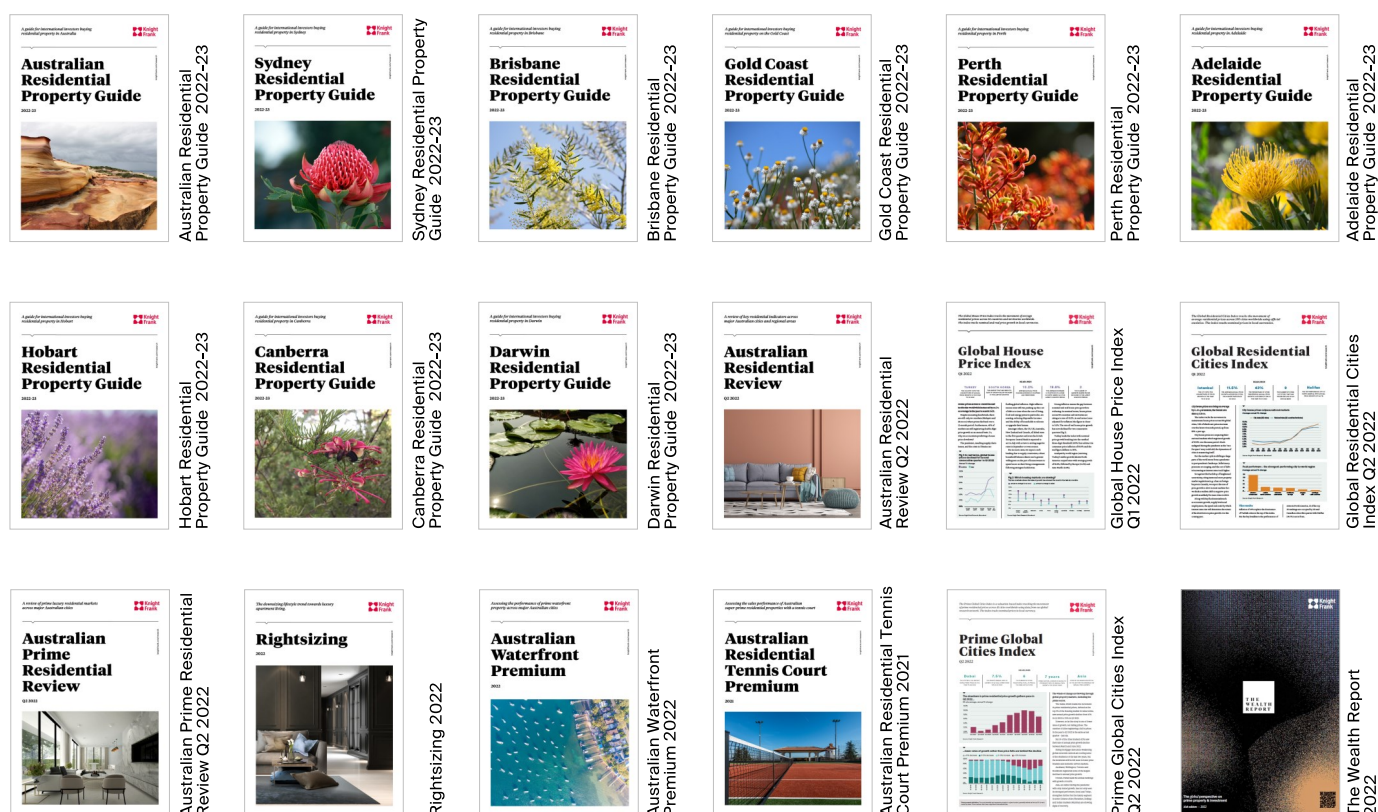
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