



Living, Studying & Working



International Buying Rules & Process



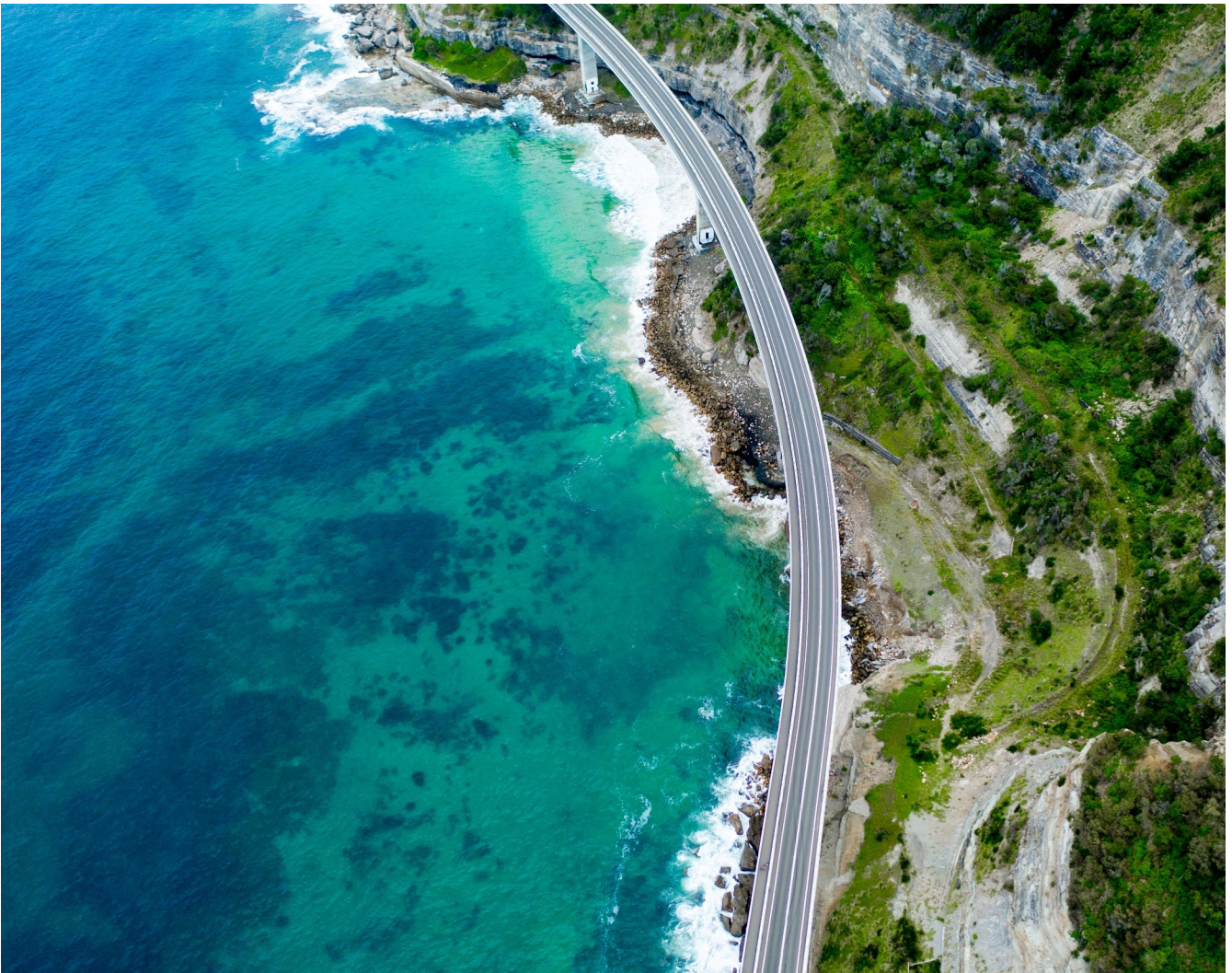
Buying, Owning & Selling Property



Australian Residential Buyer Guide

2021-22

knightfrank.com/research



LIVING IN AUSTRALIA

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

Australia is a lifestyle destination, a transparent safe-haven, with a stable economic and political environment.

Many residents are attracted to the climate, world-class education system and the liveability of capital cities—while being home to 19 world heritage listed sites.

Liveability

Australian cities offer an outstanding lifestyle compared to other global cities.

From 100 cities, four Australian cities ranked in the top 11 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. Brisbane ranked 6th highest place, followed by Sydney (9th), Perth (10th) and Melbourne (11th).

Whilst Sydney placed 31st on the Knight Frank City Wealth Index 2021 based on a combination of investment, lifestyle and wealth factors. Melbourne was placed 46th, Brisbane 65th and Perth 74th.

The Economist Intelligence Unit ranked Adelaide 3rd most liveable from 140 cities based on stability, health

care, environment, education and infrastructure, whilst Perth was 6th, Melbourne was 8th, Brisbane 10th and Sydney was 11th placed.

Mercer ranked Sydney 11th for quality of living from 231 cities evaluated on 39 factors extending to political, economic, personal safety, transportation and other public services. Melbourne was ranked 17th best, followed by Perth being placed 21st, Adelaide 29th, Canberra 30th and Brisbane 35th.

◆ ◆
“Five Australian cities are considered to be in the top 11 of the most liveable cities in the world”
 ◆ ◆

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

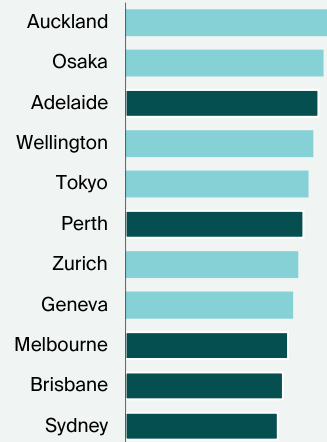
Australia is located in the Southern and Eastern Hemispheres with eight states and territories. The capital city of Australia is Canberra. The number of people living in Australia grew by 1.3% in 2020; to 25.7 million. The three most populated cities are Sydney (5.4 million), Melbourne (5.2 million) and Brisbane (2.6 million).

Australia's mainland states and territories are divided into 5 standard time zones with daylight saving time being observed from October to April; with the exception of Western Australia, Queensland and the Northern Territory.

The climate varies considerably across Australia, but generally has four temperate weathered seasons compared to other countries. Each year, Summer is from December to February; Autumn is March to May; Winter is June to August and Spring is from September to November.

Most Liveable Cities

Top 11 of 140 global cities, 2021



Source: Knight Frank Research, Economist

City Wealth Index 2021, Major Australian Cities

100 global cities ranked

CITY	RANKING
SYDNEY	31
MELBOURNE	46
BRISBANE	65
PERTH	74

Source: Knight Frank Research

Average Flying Time from the Australian East Coast

Direct International Flights



City Wellbeing Index 2021, Major Australian Cities

100 global cities ranked

CITY	RANKING
BRISBANE	6
SYDNEY	9
PERTH	10
MELBOURNE	11

Source: Knight Frank Research

Living, Studying & Working in Australian Cities

CITY	LIVE Popular Suburbs	STUDY Highest Ranked University	WORK Largest Office Markets
SYDNEY	Bondi Beach, Manly, Mosman	The University of Sydney	Sydney CBD, North Shore
MELBOURNE	St Kilda, Toorak, Brighton	The University of Melbourne	Melbourne CBD, St Kilda Rd, Southbank
BRISBANE	South Bank, Fortitude Valley, St Lucia	The University of Queensland	Brisbane CBD, Milton
PERTH	Subiaco, South Perth, Applecross	The University of Western Australia	Perth CBD, West Perth
GOLD COAST	Surfers Paradise, Broadbeach	Griffith University	Southport, Robina-Varsity Lakes
ADELAIDE	Glenelg, Toorak Gardens, Medindie	The University of Adelaide	Adelaide CBD, Adelaide Fringe
HOBART	Sandy Bay, Battery Point, Margate	University of Tasmania	Hobart CBD
CANBERRA	Braddon, Barton, Forrest	The Australian National University	Civic, Phillip, Tuggeranong
DARWIN	Larrakeyah, Fannie Bay, Bayview	Charles Darwin University	Darwin CBD

Source: Knight Frank Research

BUYING IN AUSTRALIA

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).

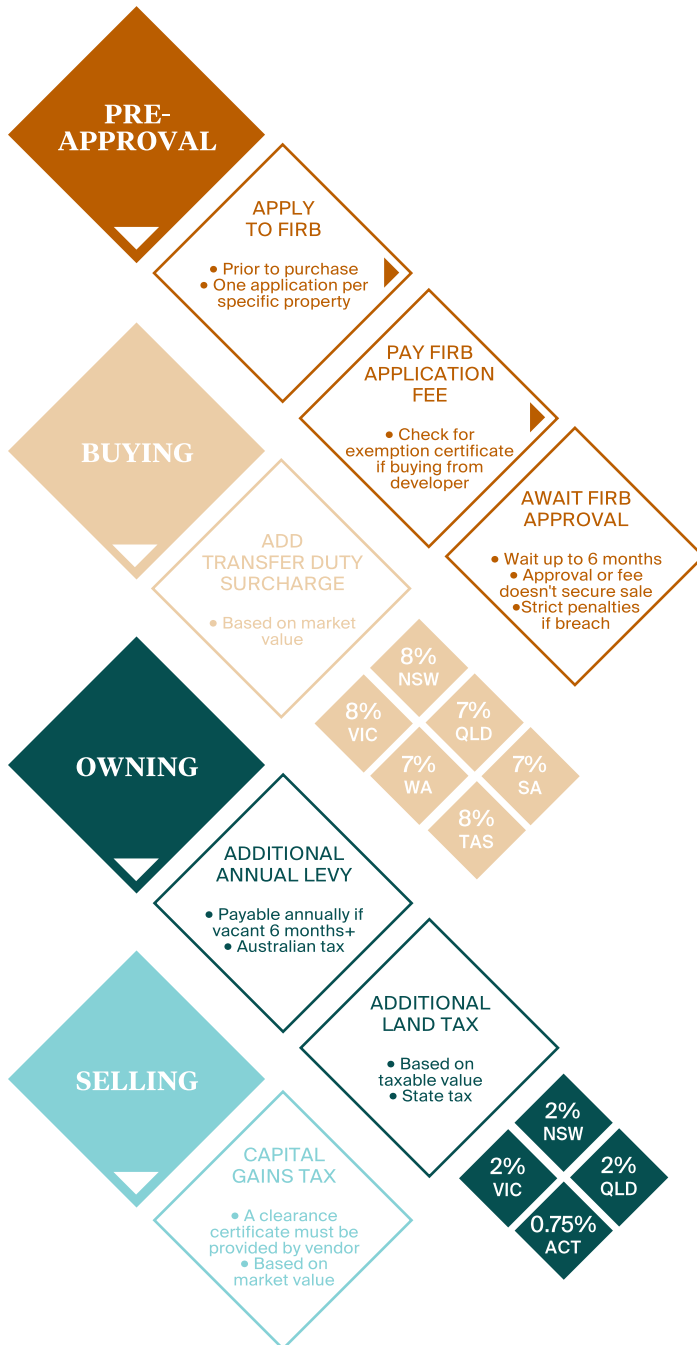
	INTERNATIONAL INVESTOR	TEMPORARY RESIDENT	OFFSHORE COMPANY WITH AUSTRALIAN BUSINESS
DEFINITION	A natural person who is not an Australian citizen and is a non-resident.	A person residing in Australia and holds a temporary residency visa which allows them to stay for continuous period of 12+ months or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

Source: Knight Frank Research, Foreign Investment Review Board

INTERNATIONAL INVESTOR BUYING PROCESS

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

As at 1 July 2021



Source: Knight Frank Research, Australian Government, NSW Office of State Revenue, State Revenue Office Victoria, Queensland Office of State Revenue, WA Office of State Revenue, Revenue SA, State Revenue Office Tasmania, ACT Revenue Office, Territory Revenue Office



“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, FIRB

OWNING IN AUSTRALIA

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.

INTERNATIONAL OWNER COSTS

Land Tax Surcharge for International Owners

The New South Wales, Victorian and Queensland government impose a 2% land tax 'Absentee Owner Surcharge' for international owners. The Australian Capital Territory imposes a rate of 0.75%. An additional 1% land tax surcharge is also applicable 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. 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, for selling the property— either tiered or a fixed rate. Do ensure you understand the breakdown of the fee structure as commissions will vary between states, and price point. Fees often range between 2% and 3% of the value of the property sold.

Marketing Costs

When an agent is selected to sell the property, the fee breakdown will often stipulate the budget associated to the marketing and advertising of the property. Additionally, there may be an allocation for multiple open home inspections held over several weeks. Budgets for marketing, media, as well as length of advertising should all be discussed with the agent to ensure maximum advertising potential.

Capital Gains Tax

Capital gains tax (CGT) is a federal tax levied on the gain or loss upon the sale of an investment property.

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

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).

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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