



*Living & Studying in
Australia*



*Buying Residential
Property*



*Owning Residential
Property*



Focus On Australia

2020-21



A U S T R A L I A

*This guide focuses on living, studying and buying residential property in Australia's three most populated cities—
Sydney, Melbourne and Brisbane.*

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 within the cities.

Liveability

The Economist Intelligence Unit placed five Australian cities in the top 18 most liveable, from 140 cities, in 2019. Melbourne ranked 2nd place, while Sydney came in 3rd, Adelaide 10th, Perth 14th and Brisbane 18th. The index was based on 30 factors across five areas including stability, infrastructure, education, health care and environment.

Six Australian cities ranked in the top 35 of Mercer's Quality of Living in 2019—Sydney (11th), Melbourne (17th), Perth (21st), Adelaide (29th), Canberra (30th) and Brisbane (35th). The index of 231 cities are evaluated on 39 factors including political, economic, health, environmental, personal safety, education, transportation and other public service factors.

World-Class Education

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

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

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

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

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

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

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

Noted

Australia is located in the Southern and Eastern Hemispheres. The capital city of Australia is Canberra. The number of people living in Australia grew by 1.5% in 2019; to 25.4 million. The three most populated cities are Sydney (5.3 million), Melbourne (5.1 million) and Brisbane (2.5 million).

Sydney is Australia's financial hub, attracting international corporations and professionals. Melbourne is home to some of the biggest sporting and cultural events in the world, hosting both local and international events. Brisbane is the capital city of Queensland – home to the only place in the world where two natural World Heritage Sites meet – the Great Barrier Reef and Daintree Rainforest.

Sydney and Melbourne operate 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. Brisbane operates under AEST time zone all year round.

In Sydney, summers are hot and slightly humid, while winters are cool. Hot summers are dry in Melbourne, while winters are cold and cloudy with an evening frost. Brisbane's sub-tropical summers are hot and humid, while warm winters are mild.

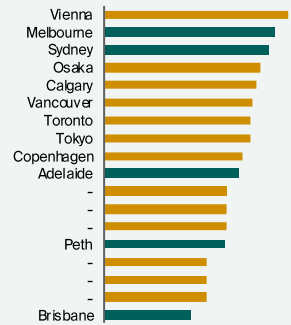
Demographic Profile of Australia

AUSTRALIA	Most common	Ranked 2nd	Ranked 3rd
AGE	30-34 YRS	25-29 YRS	40-44 YRS
BORN	AUSTRALIA	ENGLAND	NEW ZEALAND
RELIGION	NO RELIGION	CATHOLIC	ANGLICAN
LANGUAGE	ENGLISH	MANDARIN	CANTONESE
EDUCATION	BACHELOR DEGREE	YEAR 12	CERT III
OCCUPATION	PROFESSIONAL	CLERICAL ADMIN	TECH & TRADES
INDUSTRY	HOSPITALS	SUPERMARKETS	CAFÉ & RESTAURANTS
COMMUTE	BY CAR	WORKED AT HOME	BY TRAIN
HOUSING	STANDALONE HOUSE	APARTMENT	TOWNHOUSE
TENURE	MORTGAGED	OWNED OUTRIGHT	RENTED

Source: Knight Frank Research, ABS Census 2016

Most Liveable Cities

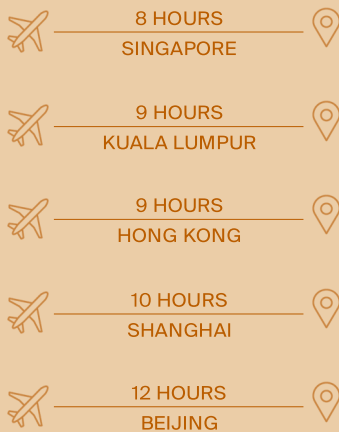
Top 18 of 140 global cities, 2019



Source: Knight Frank Research, Economist Intelligence Unit

Average Flying Time from the Australian East Coast

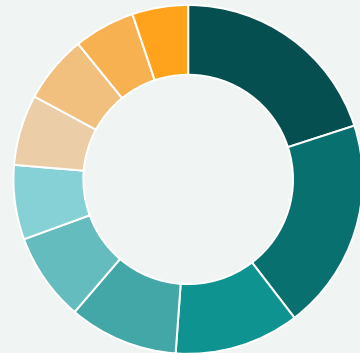
Direct International Flights



International Visitors, Australia

Top 10, by country or territory, 2019

- Chinese Mainland
- New Zealand
- United States
- United Kingdom
- Other countries
- Japan
- Other Asia
- Singapore
- India
- Malaysia

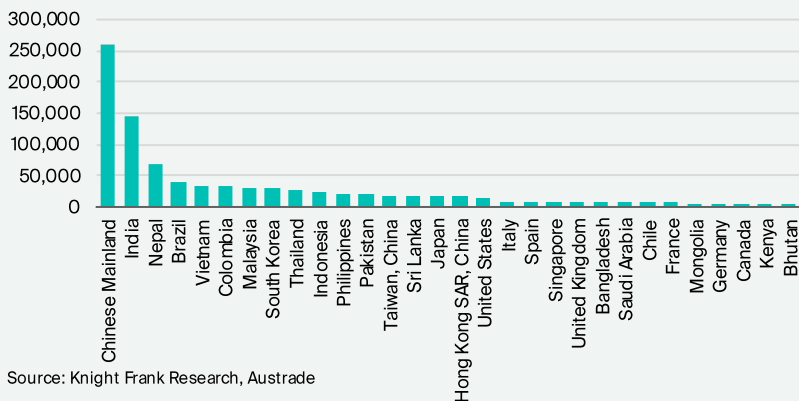


Source: Knight Frank Research, Tourism Research Australia

“Mercer ranked six Australian cities in the top 35 for Quality of Living in 2019”

International Students, Australia

Top 30, enrolled by country or territory, 2019



Source: Knight Frank Research, Austrade

7th
Sydney ranked from 40 cities, and Melbourne 11th, on Knight Frank City Wellbeing Index in 2020

City Wealth Index 2020, Major Australian Cities

100 global cities ranked

CITY	RANKING
SYDNEY	15
MELBOURNE	40
BRISBANE	67

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.

FOREIGN INVESTOR BUYING RULES

The Australian Government welcomes and encourages foreign investment into Australia’s residential property market. The current rules around foreign investment in residential property aim to direct investment into new

housing, increasing the housing supply and support local economic activity. This application process is administered and approved by the Foreign Investment Review Board (FIRB).

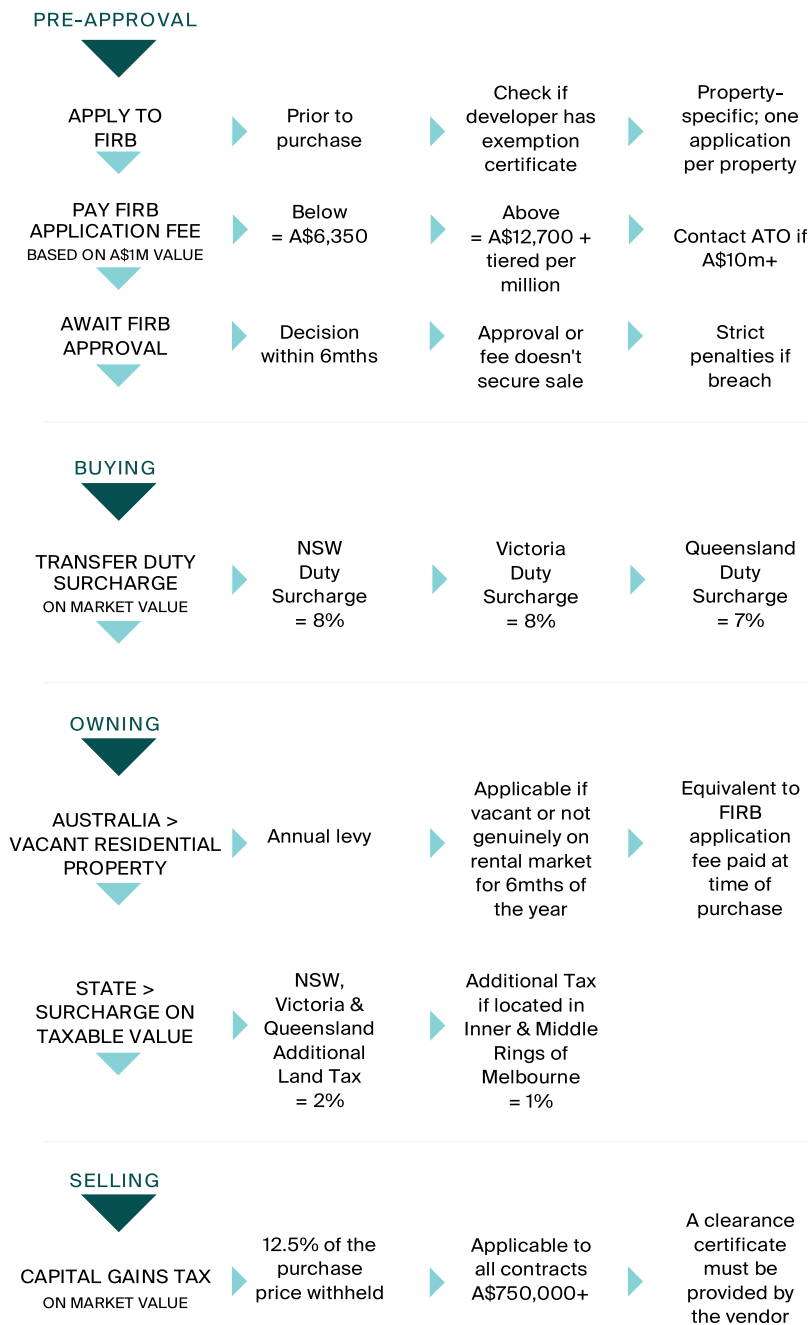
	FOREIGN INVESTOR	TEMPORARY RESIDENT	OFFSHORE COMPANY WITH AUSTRALIAN BUSINESS
DEFINITION	A natural person who is not an Australian citizen and is a non-resident.	A person residing in Australia and holds a temporary residency visa which allows them to stay for continuous period of 12+ months or on a bridging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

Source: Knight Frank Research, Foreign Investment Review Board

FOREIGN INVESTOR BUYING PROCESS

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

As at 1 January 2021



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



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

“A fee is payable before the foreign investment application will be processed.”

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

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



FIRB Application Fees

Based on Property Value, AUD

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

Source: Knight Frank Research, FIRB

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.

Income Tax

Income tax is payable on gross rental income, less any allowable deductions incurred in earning that income.

To understand the number of potential

allowable tax deductions, it is recommended an Australian Tax advisor is consulted.

Owners Corporation

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

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

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

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

COSTS AS A LANDLORD

Property Management Fees

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

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

Utility and Service Charges

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

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

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

Landlord Insurance

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

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

COSTS AS A FOREIGN OWNER

Land Tax Surcharge for Foreign Owners

The New South Wales, Victorian and Queensland government have imposed a 2% land tax 'Absentee Owner Surcharge' for foreign owners.

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 Foreign Owners

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

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

STANDARD SELLING COSTS

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

Legal Fee

Legal fees include, but are not limited to, the costs for preparing a contract for sale. The solicitor or conveyancer fee could be dependent on value of property, and may vary between state and territory. 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.

SELLING COSTS AS A FOREIGN OWNER

Foreign Resident Capital Gains Withholding

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

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

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

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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