

SE Features  
HD **Audacious plays put city's Chinese investment under scrutiny**

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OFFSHORE

SURGING Chinese investment in apartment tower developments is set to become a focus of a parliamentary inquiry into foreign investment in residential real estate, as mainland groups make ever more audacious plays in the local market. Two major properties in the heart of Sydney have emerged as targets for Chinese and Southeast Asian developers, the scale of the proposed projects potentially topping \$1 billion.

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Developers planning to sell a portion of the units into their home markets would be wary of any tightening of rules that allow offshore investors to buy Australian apartments off-the-plan. One group, associated with Michael Guo's Visionary Investment Group, has approached building owners on a block at the southern end of Sydney's central business district, in the hope of assembling a significant site.

The block, bounded by Pitt, and Castlereagh and Liverpool streets, includes properties that are already in play - notably AMP Wholesale Office Fund's 338 Pitt Street and GDI Property Group's tower at 233 Castlereagh Street.

Assembling the entire site could cost more than \$300m and hinge on the prospective buyer's dealings with sitting tenants and capacity to under-tax a major development, with sources emphasising the preliminary nature of the deal.

The market for converting office towers into apartments is running so hot that the A-grade landmark 201 Elizabeth Street, which sits on Sydney's Hyde Park, co-owned by listed Dexu Property Group and Perth-based Perron Group, is also being targeted.

Dexu last month nominated the tower as one of the assets that it was exploring for residential conversion, which could have a total end value of \$1bn.

Multiple sources said that -indicative interest had been -between \$320m and \$340m - well above the building's book value of \$280m.

The building's height gives it value, as planning restrictions would mandate a rebuilt building on the site to be a third of the

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height, property executives said.

"It's got pricing power by virtue of its height in that location," a source said. "All the units on the north side would have views, all the units on the east side will have views and even the units on the south side would have reasonable views."

But the co-owners have played down prospective interest in the **property**.

Dexus declined to comment and Perron **Group** chief executive Ross Robertson denied that an offer had been made.

"We'd love to see if there's something there but we're not a seller and there is just a bit of a rumour I think," he said.

Some sources say that longterm leases are close to being secured at the building, which would limit its value for a **residential** developer.

Dexus is also focused on the forthcoming offer of Sydney's 50 Carrington Street, which it picked up for \$58.5m two years ago and could now sell for \$90m as international groups target the city.

The moves come as the parliamentary inquiry into foreign investment in **residential** real **estate** released its terms of reference yesterday.

The inquiry, headed by Liberal MP Kelly O'Dwyer, will investigate whether foreign investment is directly increasing the supply of new housing and bringing benefits to the local building industry and its suppliers; and how Australia's foreign investment framework compares with international experience.

The committee has denied targeting **Chinese** investment.

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