

SE Business - **Commercial Property**
HD **St Kilda Road offices turned into homes**
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One-fifth of leafy St Kilda Road's office buildings could become homes over the next decade as a trend to convert outdated office space in Melbourne accelerates.

The city's weak office market, low interest rates and a surge of Asian and local investment in apartments is fuelling a city-wide conversion of older office buildings.

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Lemon Baxter director Chris Curtain estimates as many as 16 buildings providing about 110,000 square metres of office space on the popular St Kilda Road boulevard were potential conversion targets.

The boulevard has an estimated 498,000 square metres of office space mainly occupied by second-tier businesses. It also has an established history of well-heeled buyers paying a premium to live in converted buildings close to trams and parkland. Low-rise offices with large land tax bills and limited rental income were particularly vulnerable to developers wanting to take advantage of the huge **apartment** appetite, Mr Curtain said.

Chinese developer Golden Age last month snapped up a five-storey tower at 450 St Kilda Road for \$20 million with plans to demolish it for an ambitious **apartment** project.

The **site**, overlooking the Royal Botanic Gardens, was **sold** by the Carter family who also hold the building next door at number 448, tipped to be another likely **residential** conversion project.

Further along the street, Shanghai-born **property** developer Richard Gu is believed to be circling the St Kilda Road police complex.

That building could fetch \$60 million because of its corner location near the Shrine of Remembrance and Albert **Park** Lake.

Other buildings likely to be in the spotlight include the recently traded Illoura Plaza at No. 424, Clemenger House at 474, the Fawkner Centre at 499 and the AAMI office at 601 St Kilda Road. "There will be a fair bit of activity over the next decade that will take out a lot of office stock," Mr Curtain said.

The rush to **residential** is also evident in nearby Queens Road, where views over Albert **Park** Lake to Port Phillip Bay are popular with prospective buyers.

A flurry of recent sales include 20-22 Queens Road, which changed hands for \$35 million to a **company** controlled by **Chinese** national Kathryn Yang. Not long before, a small block at 12 Queens Road **sold** for \$15.2 million and another at 77 Queens Road for \$13.5 million.

A year ago an office investment at 10 Queens Road, with potential for conversion, **sold** for \$21.3 million.

"The only other time in history when we have seen this sort of activity was the mid '90s when the economic recession resulted in many offices being converted to **residential**," Knight Frank research director Richard Jenkins said.

The trend was more established on St Kilda Road but was now accelerating in the CBD, he said.

Developers were being encouraged by record population growth. The CBD core's population jumped by 5400, or 23 per cent, over the year to June 2013, while the larger municipality of Melbourne had a growth rate of 10.5 per cent, making it the fastest-growing local council in Australia, Mr Jenkins said.

In the past year, among others, Aspial Corporation snapped up 383 King Street for \$41 million to convert to apartments, Grocon grabbed 85 Spring Street (\$45 million), Hiap Hoe took 380 Lonsdale Street (\$43.8 million) and Central Equity **purchased** 556 Lonsdale Street (\$20.1 million). Other buildings, including 464 Collins Street, 150 Queen Street, 35 Spring Street and 189 William Street, are already making way for apartments.

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