

FINANCIAL REVIEW

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HD **Hengyi eyes new ventures**
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Chinese-backed developer Hengyi Australia is looking beyond Melbourne for fresh investment opportunities, after selling \$240 million worth of apartments in its latest high-rise development overlooking Queen Victoria Market.

Hengyi Australia head of marketing and development Stephen Speer told The Australian Financial Review the **company** was "actively looking for opportunities" and was currently considering a number of joint ventures both in Melbourne and around Australia.

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Light House, is a 69-level high-rise **apartment** development on the corner of Elizabeth Street and Franklin Street in central Melbourne with an end value of \$320 million. It is due for completion in early 2017.

The project is a joint venture between Hengyi and Melbourne GP-turned-developer Harold Chua.

Dr Chua acquired what is currently the Melbourne International Backpackers – a four-storey building on a 1009 square metre **site** – for \$3.8 million in 2000 through his **property** investment business, Sixth Grange.

The existing backpackers will be demolished in October, with construction to begin next year.

Light House has been designed by architects Elenberg Fraser featuring an exterior luminescent shell of reflective panels.

It's the second Australian project for Hengyi, an affiliate of **China's** Shandong HYI **Group**, a large-scale **residential** and **commercial** developer based in the Shandong province.

Hengyi's other Melbourne project – its first in Australia – is the 23-level **residential** conversion The William.

Due for completion in September, it will feature residences plus a serviced **apartment** component run by US **hotel group** Wyndham.

Light House features 607 units of which 75 per cent have already been **sold**. The contracts are worth \$240 million on settlement.

Mr Speer said 120 apartments were **sold** following investor roadshows in **Hong Kong**, Singapore and Kuala Lumpur. A further batch was **sold** through agents in Shanghai.

There was no restriction on the number that could be **sold** overseas, with as many as 40 per cent potentially owned by offshore investors, Mr Speer said.

The high number of sales to overseas buyers follows the launch of a federal government inquiry into foreign ownership of real **estate**, chaired by Liberal MP Kelly O'Dwyer.

The inquiry is investigating the economic benefits of foreign investment in **residential property** and if that investment is increasing the supply of new housing.

Melbourne's CBD is saturated with new **apartment** projects – many developed by offshore groups with Foreign Investment Review **Board** approval to sell up to 100 per cent of these overseas.

At the same time, official dwelling approval figures released this week indicate Melbourne's post-GFC **apartment** boom has some way to run. Approvals for Melbourne apartments remain at elevated levels – in excess of 20,000 a year.

Victorian planning minister Matthew Guy this week approved another 1000 units in five high-rise buildings in Footscray and Southbank. Economist Leith van Onselen said those approvals suggested the **apartment** oversupply in inner Melbourne "is likely to get worse before it gets better".

"Given the long lead times between approval and completion there is the potential that apartments will still be getting constructed en masse in Melbourne long after the market has turned, exacerbating any downturn," Mr van Onselen wrote on his Macrobusiness blog.

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