

FINANCIAL REVIEW

SE **Property**
HD **Melbourne deals split**
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WC 580 words
PD 6 May 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 38
LA English
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Asian appetite for Melbourne development sites is far from insatiable, according to new analysis by **property** services **firm** JLL.

While clearly on the rise, the figures show an almost even split between sites **sold** to local developers and those **sold** to **Chinese**, Singaporean and Malaysian developers since February last year.

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Of the 39 development sites **sold** in the central business district, Southbank, Docklands and inner suburbs between February 2013 and April 2014, JLL found that local developers **purchased** almost half of them(19) with 12 acquired by **Chinese**-based developers, six by Singaporeans and two by Malaysians. Local buyers accounted for \$514 million or 51 per cent of the \$1 billion of **site** sales over this period. Buyers included Grocon, CBus, Central Equity, Little Projects, Pace and Caydon.

All but one of the sites – 447 Collins Street acquired by Cbus for \$91 million last December – are earmarked for future **residential** development and represent about a decade's worth of projects with a potential end value of around \$10 billion. JLL director of sales and investments, James Kaufman, said foreign developers preferred buying sites that came with a planning permit which made the assessment process "significantly less complicated and removed uncertainty".

Local players, he said, had an advantage when bidding for sites without planning permits. "Domestic developers have a much deeper understanding of the town-planning process and are more comfortable with the risks associated with planning." Mr Kaufman said. This was demonstrated in the **sale** of 85 Spring Street to private developer Grocon last November for \$46 million. It **sold** without a permit and with very conservative bids from Asian developers. Grocon has since lodged a planning application for a 38-level, \$30 million development including 370 apartments on the **site**. Mr Kaufman said in some cases, local developers would acquire sites without a permit, obtain planning approval and then sell them on to offshore developers. Asian buyers developing Melbourne sites include Aspial, UEM Sunrise, Hiap Hoe, Far East Consortium, Mammoth and Chip Eng Seng.

Paul Fridman, director of Melbourne-based developer Fridcorp, said the JLL figures came as a surprise. "It depends on what you look at. I think you would find that for high-density sites, Asian developers far outweigh locals, while lower-density low-rise sites are more popular with the local developer market," Mr Fridman said.

He described the market as "incredibly competitive" with fewer sites now available, but with less certainty about retail appetite for new apartments given current levels of supply.

Mr Fridman, who has just completed the 16-level Avenue apartments in South Yarra, took a swing at the major banks, accusing them of making life harder for local developers by creating "two sets of rules".

"Banks require that local developers sell no more than 20 per cent of units in a development offshore to secure funding. But offshore developers don't require funding from local banks and can sell 100 per cent

of units in their developments offshore," he said. "Local developers are selling in just one market, where supply is an issue, but offshore developers can sell across a number of markets."

Mr Kaufman said not all **site** acquisitions would proceed to development in the short or medium-term.

"Some developers may land-bank these sites with a longer term view and to extend their pipeline of projects. Some sites still have lease agreements in place over the existing buildings, which prevent their development."

CO lasp : JLL

IN ireest : Real Estate | icre : Real Estate/Construction | i85 : Real Estate Transactions

NS ccat : Corporate/Industrial News

RE austr : Australia | malay : Malaysia | melb : Melbourne | victor : Victoria (Australia) | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | seasiaz : Southeast Asia

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AN Document AFNR000020140505ea5600017