

FINANCIAL REVIEW

SE **Property**
HD **Race for sites to develop as apartments**
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The wave of **residential** conversion sweeping Australia's major capital city markets is gathering pace in North Sydney, where an aging **commercial** asset has **sold** to a **residential** developer for \$45 million.

The medium-rise **commercial** building at 144 Pacific Highway has plans for a 24-storey mixed-use development and is owned by Strand Estates.

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The **sale** comes in the same week local and international developers are locked in a battle to secure an older **commercial** asset with approval for up to 130 apartments at 61 Lavender Street in Milsons Point. The asking price is above \$95 million.

"These developers are realising that when a planning process is underfoot and a building's end-use isn't set in concrete, the gross realisation rate per square metre for a **residential** use can be a lot higher than what's already existing," said CBRE executive managing director Scott Gray-Spencer. Expressions of interest closed on Tuesday. Negotiations are continuing.

Residential developers are widening their search in capital cities for possible sites, after 12 months when national house prices soared 10.3 per cent in capital cities.

CBRE **residential** development director Matthew Ramsay points to **Chinese**-backed **property group** Bridgehill's \$49 million **purchase** of the Australand-owned TAL building in Milsons Point in January 2013 as the start of the latest wave of interest in the satellite business district. **Residential** performance

"Developers are looking at the area's proximity to workforce, the railway, the CBD. They're also taking into account the performance of **residential** assets in the surrounding suburbs which in some cases are up about 15 per cent," Mr Ramsay said.

Site prices in St Leonards are about \$200,000 a unit, but recent sales in North Sydney indicates unit prices over \$200,000 a unit, according to CBRE.

Listed developers Charter Hall and Leighton Holdings are cashing in on demand for sites with **residential** approval by banding together on a joint rezoning application.

The developers own **commercial** buildings at 476 and 504 Pacific Highway and are seeking approval for a complex of about 900 apartments.

Meanwhile, private developer Winten **Group** is mooted to be weighing up **residential** options for its **commercial site** at 88 Christie Street.

Winten chief executive Anthony Otto shrugged off suggestions that plans for conversion were in the pipeline at the **site**, arguing the **group** was adopting a "watch and wait" strategy.

"We've got a [commercial] DA recently approved ... we'll watch and wait to see what Leighton and Charter Hall do and what traction they get."

St Leonards, two kilometres from North Sydney's major business district, has been overlooked in recent years by [commercial] tenants in favour of sites with a larger supply of newer, A-grade accommodation. [Residential] demand in St Leonards is strong. Apartments in developer Holdmark's \$150 million complex on Atchison Street with 278 apartments, are believed to have posted an average sales price of between \$11,000 and \$13,000 a square metre.

Key points [Residential] developers are widening their search for [commercial] buildings with [apartment] potential. They know the realisation rate for [residential] use can be a lot higher than a [site]'s existing income.

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