

SE Business - **Commercial Property**
HD **Asian groups buying sites on CBD fringe**
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WC 504 words
PD 28 May 2014
SN The Age
SC AGEE
ED First
PG 25
LA English
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A nondescript St Kilda Road office and South Melbourne **island** development **site** have been **sold** for a combined \$100 million as intense competition from offshore developers adds fuel to Melbourne's heated **residential** market.

New Australian entrant Singapore's Tong Eng Brothers swooped on an 18-level office building abutting Fawkner **Park** in St Kilda Road, paying an estimated \$85 million for number 499, which has been slated for **residential** conversion.

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The office, known as the Fawkner Centre, is jointly owned by local developer Les Smith and Malaysian listed entity IGB Corporation who brought it for \$55 million in 2012.

Neither Mr Smith nor Colliers International agent John Marasco would confirm the off-market deal but industry sources said it was "close to being finalised".

Foreign firms are dominating Melbourne's **property** sector, buying half the city sites offered over the past year, according to JLL Research.

Aspiring offshore developers are focusing on city fringe locations as potential sites in the CBD diminish. The competition has seen some buyers pay premium prices.

Thomson Geer lawyer Eu Ming Lim said foreign firms now had a better understanding of the financial and technical due diligence needed before buying. "There has always been awareness on this issue, but the industry and the local support system of advisers and consultants have been active in educating and delivering the message that financial and technical due diligence is of vital importance in the early stages to evaluating viability of proposed projects," he said.

Another new entrant, a **China**-based **group**, has reportedly paid about \$15 million for an **island** development **site** in South Melbourne. Lemon Baxter agent Paul O'Sullivan would not confirm the **sale** price but said the **property** generated more than 60 inquiries and six contracts, all from offshore parties.

"It shows the strength of money coming out of Malaysia and **China**," Mr O'Sullivan said.

The two-storey building on a block bordered by Cobden Street, Palmerston Crescent and Kings Way has development potential up to 35 metres under an "interim" height restriction imposed by Matthew Guy in one of his first acts as Planning Minister three years ago to protect vistas of the Shrine.

The small sliver of land along St Kilda Road over which the height controls were introduced in 2011 effectively stopped a proposed 88-metre tower being built at 35 Albert Road that would have blocked bay views from the nearby Domain **apartment** tower.

High-profile residents of the Domain, known as Melbourne's "tower of power," at the time included Lindsay Fox, Ron Walker and Lloyd Williams.

Proposed development plans for the St Kilda Road **property purchased** by Tong Eng are before Mr Guy.

They include a \$48.5 million refurbishment of the existing office tower into 245 apartments and 292 car **park** bays with additions that increase the height to 20 levels, well above others on the boulevard that are largely limited to 12 storeys.

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Australia/Oceania

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AN Document AGEE000020140527ea5s00050