

HD City & Country: Cover Story - Crown Group taps overseas buyers

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The Australian **property** developer wants to achieve balance in its projects by offering units that appeal to both local and overseas markets

Australian **property group** Crown International Holdings **Group** opened an office in Singapore on May 27. The office at Suntec Tower Two will serve to extend the group's reach beyond Singapore to neighbouring countries such as Malaysia and the Philippines. This will be Crown Group's third regional office, following the opening of the first in Jakarta and second in Surabaya, Indonesia last year.

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Mainland **Chinese** buyers are the biggest **group** of foreign buyers in Australia today. Thus, the regional offices were established to further expand the base of foreign buyers from Indonesia, Malaysia and Singapore, says Iwan Sunito, CEO of Crown **Group**, who was in Singapore for the launch of the new office.

The opening of Crown Group's office in the city-state came a week after the Monetary Authority of Singapore (MAS) warned investors of the risks involved in investing in overseas properties, particularly since rules and regulations governing foreign investors are different from those of Singapore, and that there may be no safeguards to protect their interests. Singaporeans are said to have poured \$2 billion into foreign real **estate** last year, a 43% jump from \$1.4 billion in 2012. The top three markets were Malaysia, Australia and the UK.

The recommendations by MAS are both necessary and timely, says Sunito. "Foreign investors tend to overlook some factors when buying properties overseas, he concedes. "In particular, they need to look at who they are buying from, and whether the developer has a long-term presence and interest in the market. For instance, even in Australia, there are some new developers that have no capacity or track record to undertake big developments, so foreign buyers should always do their homework and find out the background of the developers if they do not want to suffer from buyers' remorse, he warns.

The increase in overseas **property** investment by Singaporeans is partly due to the punitive government **property** cooling measures back home. Likewise, developers from Singapore have ventured abroad for the same reasons. Australia has been a favourite destination for both investors and developers, as it presents many more investment options, without the same restrictions in Singapore, says a **property** consultant.

Singapore **property** groups that have been active in Australia include Frasers Centrepoint, which early this month put in a bid of A\$2.6 billion (\$3.1 billion) for Australand **Property Group**. Frasers Centrepoint also has a large mixed-use development in Sydney called Central **Park**, a redevelopment of the former Carlton & United Breweries **site**. Another Singapore developer that has been active in Australia over the past two years is Far East Organization, which **purchased** the Ausgrid Tower on George Street in Sydney for A\$151.8 million in March, bringing its total **purchases** in Australia to more than A\$1 billion. Other Singapore-listed developers that have made inroads into Australia in recent years include Aspiat Corp, Hiap Hoe, Ho Bee Land and Sim Lian **Group**.

Mainland **Chinese** developers such as Shanghai-based Greenland **Group** have also been very aggressive. In April, Greenland **purchased** two new projects in Sydney, in addition to an existing development in Sydney and a development in Melbourne acquired last year, bringing the total value of acquisitions to about A\$1.5 billion. Last December, it launched its first phase of 300 units at Greenland

Centre, considered to be Sydney's tallest **residential** tower. Within one weekend, all the units released in **Hong Kong** and Singapore were snapped up, and mainland **Chinese** buyers are said to have accounted for the majority of the sales. All 300 units in the first phase have been **sold**, and the second phase of 200 apartments was launched in April.

Strong competition driving up prices

Sunito notes that there are still many development opportunities in Sydney, even if local developers such as Crown **Group** face stiffer competition from overseas developers, especially from **China** and Singapore in recent years. "It's not difficult to find sites in Sydney, but land prices are quite high at the moment and there is a danger of these new players coming in and buying at the top of the [market], and this could prove quite risky, he cautions.

As for Crown **Group**, Sunito maintains that they will **purchase** only sites that are close to transport nodes and shopping centres, and where there is a good balance between local and foreign demand.

Some foreign developers may launch projects that see strong interest from overseas buyers but may not appeal to the domestic market. The only concern about such projects is when it comes to reselling, says Sunito. In Australia, foreign buyers may **purchase residential property** directly from developers in the primary market, in either off-plan or completed projects. When it comes to reselling, however, they are allowed to sell only to Australian citizens or permanent residents. "The risk is that the owners may face difficulty in finding a buyer for their units in the resale market, if units do not fit local homebuyers' taste, he says. And if many of the buyers are foreign investors, it could affect pricing in the secondary market if many units are offered for **sale**, he explains.

To safeguard buyers' investment and protect the prices of its developments in the secondary market, Crown **Group** ensures that foreigners make up not more than 30% of the buyers of its projects. "We do not sell an entire development to foreign buyers because projects that have strong local support are less likely to experience big price fluctuations in the secondary market, he says.

Prices in Sydney are said to have risen 14.5% since 2013, with gross rental yields in the 5% range. However, net yields are closer to 3%. The rise in prices can be attributed to several factors, including strong local investment demand, Asian parents buying **property** for their children's further education, and migrants from Asia who "love investing in **property**" he adds. "New South Wales is currently home to the largest immigrant population in Australia.

Migrants

Sunito himself is a migrant who is now an Australian citizen. Originally from Surabaya, he moved to Sydney in 1984 for his high school education and went on to complete a Bachelor of Architecture and Master of Construction of Management at The University of New South Wales. He co-founded Crown **Group** with fellow Indonesian, Paul Sathio. The two friends lived in a tight-knit Indonesian community in Sydney. Sathio, who grew up in Sydney, even won second place in Adelaide's junior badminton championship one year.

Crown **Group** was founded as a 50:50 partnership between the two friends in 1996. Sunito assumed the role of architect and concept designer, along with overseeing project marketing. Meanwhile, Sathio, a civil engineer and builder by training, focused on the more technical aspects of development and construction.

Sunito says Sydney is a choice destination for Indonesian students. "There are more Indonesians living in Sydney than in Los Angeles, another popular city among Indonesian students looking to further their studies

Indonesians investing in overseas **property** have traditionally favoured London, Singapore and Sydney. In terms of price point, however, Sydney remains the most affordable. In the Sydney CBD, an **apartment** costs around A\$10,000 psm (A\$929 psf), says Sunito, whereas in Singapore, the average price of prime condos is \$1,645 psf, and in prime Central London, the average **sale** price is Â£1,503 psf. "Pricewise, Sydney looks cheap, he adds.

Since its inception 18 years ago, the partners at Crown **Group** had decided they would focus on developing projects within a 30km radius of the Sydney CBD, an area they know well. The partners' maiden project was a 10-storey, 54-**apartment** block with retail units on the ground floor. Located at Bondi Junction, the project is said to be worth A\$28 million today.

The **group** has a portfolio of developments worth A\$3.5 billion, including both completed projects and those under construction. "Our goal is to build a A\$10 billion pipeline, says Sunito. This year, the **group** intends to roll out A\$1 billion worth of **residential** projects in Sydney.

Its latest project, called Top Ryde City Living, was recently awarded the Urban Development Institute of Australia (UDIA) New South Wales President's Award under the "Best High Density Development" category. The A\$500 million resort-style development with seven blocks comprising a total of 653 apartments is located in Ryde, near the Sydney Olympic Park and Macquarie University.

Top Ryde City Living was launched and completed in phases. Construction began in 2011 and 500 residents have moved in. The final phase of the project, called Viva by Crown, was launched for sale last September and is scheduled for completion in August. Viva by Crown has a total of 166 one- to three-bedroom apartments, of which only 45 are available for sale. Asking prices are said to be between A\$633,000 and A\$935,000.

Projects in the pipeline

The group is currently working on a A\$250 million freehold residential project on Clarence Street located in the heart of the Sydney CBD. The 25-storey tower, called Sydney by Crown, will have a curved steel roof feature and will be designed by Koichi Takada Architects, which also designed Crown Group's other iconic towers, such as the 20-storey Infinity by Crown at Green Square and Skye by Crown in North Sydney. The Sydney by Crown development will feature a pedestrian laneway with 11 new caf  s, restaurants and retail outlets. A total of 220 apartments as well as five-star serviced apartments will occupy the upper levels of the complex. The units will be a mix of one- to three-bedroom apartments and penthouses. Construction is expected to commence in mid-2014 and prices of the project have yet to be fixed.

Sunito believes Sydney continues to be an attractive investment opportunity for buyers, as it has some of the strongest fundamentals in Australia. There has also been a shift in demand based on demographic trends, with the older population looking to downsize, and therefore moving closer to amenities and transport hubs. Meanwhile, their grown-up children who want to live on their own prefer to live either near their workplace or entertainment spots.

This shift has contributed to an increase in demand for housing that has outstripped supply. Thus, Sunito reckons, there is a shortage of some 50,000 housing units in Sydney alone. In addition, only about 20,000 of an annual target of 31,000 homes are being built each year, exacerbating the housing shortage, he adds. "If we assume A\$800,000 per housing unit, we're looking at a shortage of about A\$40 billion worth of homes."

To expand beyond Sydney, Crown Group is looking towards Melbourne, where Sunito is in the midst of establishing a joint venture to acquire a large site in Melbourne CBD. This joint venture will be Crown Group's first project outside Sydney. "We will still be focused on Sydney, but we believe that having a property in Melbourne will help us in establishing Crown Group as a brand. The location we have in Melbourne CBD will help us differentiate ourselves from other projects there," he says.

RE austr : Australia | singp : Singapore | indon : Indonesia | melb : Melbourne | sydney : Sydney | victor : Victoria (Australia) | surbya : Surabaya | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | nswals : New South Wales | seasiaz : Southeast Asia

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