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Developers' plans go sky high

Developers are planning 12 new residential towers for Melbourne's skyline over the next decade, as the city's population grows.

A survey conducted by the *Australian Financial Review* found the projects would account for more than 6,500 new apartments in the CBD and its northern extension.

Property experts are divided over whether the city can sustain the surge in supply. On the one hand, developers see an excellent opportunity for high-density projects that capitalise on the city's growth.

But analysts believe many of the planned towers will struggle to get out of the ground owing to the scarcity of finance, planning restrictions and the propensity of developers to bank land.

Brady Property Group development manager Darren Rogers said the group's four active CBD projects were performing strongly against the tide of the global financial crisis.

He has every confidence that Melbourne can absorb more than 6,500 apartments over the next cycle (five years), given the city's strong population growth.

"We're not developers that buy and flip sites, or developers that do a little bit of work here and there. We constantly buy property, get permits, develop, sell and manage projects (in the CBD) so we wouldn't be here if we didn't have confidence in the market," he said.

Brady's Stork Hotel development, opposite the Queen Victoria Market would be the CBD's tallest residential building at 67 storeys.

Charter Keck Cramer director Robert Papaleo said there was strong pent-up CBD demand but was concerned over project finance.

Mr Papaleo said the construction of many of Melbourne's inner-city apartment projects had been delayed by up to a year as finance became harder to lock in.

"The GFC's impact upon future supply will extend into the medium term through and even more pronounced hiatus of new supply in 2012-15, due to the reduced propensity and ability for developers to bring forward planned supply to the marketing and construction stages in 2009-11, despite the underlying demand potential," **Mr Papaleo said.**

He said projects launched next year, however, would most likely cash in on pent-up demand and win bank approval.

"That said, the end project would have to focus on the investor market in order to succeed," he said.

Mr Papaleo tallies 7,225 existing apartments in the CBD grid. Stock overhang, or the number of apartments still for sale in built projects, sits at about 547 units for the CBD and north according to **Charter Keck Cramer's** central city report.

Architects Elenberg Fraser director Callum Fraser said planning restrictions were adding to the mire of financial difficulties. "Because of the commitment at state government level it's a lot easier to get planning approval for a project that is over 300 apartments plus," Mr Fraser said.

"Projects of that scale require funding of at least \$150 million and with the global financial crisis there are fewer lenders in the market, they have much tighter criteria and they're not covering 100 per cent of developers' costs, they're covering 75 percent."

He said projects of less than 25,000 square metres, while attractive to lenders, struggled to gain approval from the Melbourne City Council, which has jurisdiction over developments of that size.

The largest mooted CBD project belongs to Far East Consortium: 2,500 apartments for the former power station sit off Lonsdale Street, staged over four years.


Savills national head of research Tony Crabb said the city could easily sustain some “monstrous proposals” but, historically, 60 per cent of development approvals were not seen through to completion.

He said Melbourne was more likely than Sydney to absorb large-scale apartment projects.

“The apartment market was well established in Sydney at a time when Melbourne had none,” he said.

“You are looking at \$6,000 per square metre for a development site here in Melbourne, yet it’s \$28,000 per square metre in Sydney. The site value changes the end cost of the project dramatically.

| Flat out | | | |
|------------------------------------|---------------------|------------------|----------------|
| New apartments in Melbourne's CBD | | | |
| Address | Developer | No of apartments | Planning stage |
| 35 Little Collins St | Dahu | 200 | Pending |
| 350 William St | Ubertas | 626 | Pending |
| 410 Elizabeth St | Hamton | 346 | Approved |
| Barton Tower, 318 Russell St | Francis Kwong | 274 | Approved |
| 296-300 Little Lonsdale St | Goodyear Properties | 227 | Pending |
| 399-401 Little Lonsdale St | Clement Lee | 218 | Pending |
| 593-597 and 599 Little Lonsdale St | Brady | 494 | Pending |
| Power station, 613 Lonsdale St | Far East Consortium | 2500 | Pending |
| The Age site, 612-620 Lonsdale St | Central Equity | 842 | Pending |
| Stork Hotel, 504 Elizabeth Street | Brady | 471 | Approved |
| Mazda site, 243-263 Franklin St | Mider | 104 | Approved |
| 357 Collins St | M.Inc | 220 | Pending |
| TOTAL | | 6522 | |



SOURCE: AFR