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South Yarra's Michael Yates earns vote of confidence

ONE of South Yarra's pioneers, Michael Yates, has secured development funding for his latest project.

A \$110 million residential tower, overlooking exclusive Melbourne High School.

The veteran developer, who has led the \$2 billion transformation of the inner-city factory and warehouse Forrest Hill precinct into one of Melbourne's most sought after office and apartment addresses, plans an immediate start on his 21-level Claremont tower after securing finance from National Australia Bank.

The 50 Claremont Street tower is among about 25 mostly residential projects either being built or proposed for the precinct.

Big name Forrest Hill investors include Toll Holding's Paul Little, Freedom Furniture founders Peter Palan and Julian Tertini and former Roger David menswear chain managing director Andrew Rogers, who is now an internationally recognised sculptor.

Despite finding buyers for all but two of 168 apartments, Mr Yates said the reluctance of banks to lend to developers meant near-100 per cent pre-sales had not guaranteed his project.

"The situation remains dire for the majority of private developers who continue to find it almost impossible to borrow," he said.

He said NAB's decision to lend on the Claremont Street project was a big vote of confidence in the precinct.

Buyers paid between \$16,000 and \$25,000 a square metre for apartments in the tower, where Mr Yates secured northerly views of the neo-Gothic Melbourne High School building and Yarra River by paying \$1.3m for air rights to an adjoining office building.

Although rare in Australia, buying air rights to impede development on adjoining buildings was a tactic famously used by Donald Trump to protect views from his Trump World Tower in New York.

"In an area like this, apartment towers are popping up everywhere," Mr Yates said. "Views are the No 1 issue for buyers."

He will use his air rights to build a fifth-level communal outdoor entertainment and recreation area on part of the roof of the Claremont property.

Mr Yates has been buying and selling property in South Yarra for more than 30 years, starting out in partnership with Ron Brierley's Industrial Equity.

In 2002, he paid Burns Philp \$9.25m for the South Yarra Yeast factory at the centre of the Forrest Hill precinct, which is named after a former Melbourne High School housemaster. The five buildings he subsequently developed -- including a twin tower project with 150 apartments and more than 90 strata office suites -- sparked a rush by developers to the previously shunned Forrest Hill precinct, which is bounded by Toorak Road, Chapel Street, Melbourne High and South Yarra Station.

They included Stockland, which in 2008 paid \$26.5m for the balance of the Yates-owned yeast factory land.

Stockland, in the process of quitting apartments, is currently selling the land in one of three major development sites in the precinct, expected to result in combined sales of about \$85m.

Stockland is expected to receive about \$20m for its 2-4 Yarra Street site, which is approved for 332 apartments. Also on the sale blocks is a David Deague-controlled 3037sq m site at 4-10 Daley Street, which has a permit pending for an 18-level apartment tower.

At 661-699 Chapel Street, camera importer and distributor C.R. Kennedy is selling a 3537sq m site.

All three sites are expected to sell for between \$9000 and \$10,000 per square metre.

Property analysts Charter Keck Cramer expect Forrest Hill to have 5600 residents by June next year, along with 4400 more people who will work in offices, shops, hotels and restaurants.

Current projects include Fridcorp's 120-apartment Claremont Street "Lilli" complex, while at 227 Toorak Road, Toll's Paul Little recently received approval for his \$100m "Iik" apartment tower on the site of the former ANZ data complex.

One of the largest projects is proposed next door at the corner of Toorak Road and Chapel Street, where APN Property Group and the Freedom Furniture founders plan their 27-storey "Capitol" complex, which has potential for up to 700 residents and 500 commercial occupants.