Developers ramp up premium pipelines

Nila Sweeney

Property developers are ramping up their premium development pipelines despite signs the luxury home segment is slipping faster than the broader market.

CoreLogic analysis showed the high end of the market fell by 0.7 per cent in value over the past month, compared with less than half a per cent at the middle and lower-value tier of the market.

"Demand for prestige property seems to be slipping more quickly across the combined capital city markets," said Eliza Owen, CoreLogic's research analyst.

"This could be due to the type of buyer that participates in the prestige end of the market. They may be business owners who back out of purchasing decisions because of the uncertain environment, or high-level managers with a relatively high portion of their income tied to business performance outcomes."

Ms Owen said the current softness in the market followed a similar trend seen during historic downturns, such as the credit-tightening measures implemented between 2014 and 2017 and around the global financial crisis in 2008. During the most recent downturn more than a year ago, high-value homes in Sydney dropped 17.3 per cent from peak to trough, while Melbourne fell 16.3 per cent. In 2008, during the GFC, Sydney's upper end lost 10.8 per cent in value, while Melbourne slid 14.3 per cent.

Despite the current softness in the upper end, developers are snapping up development sites in premium locations in anticipation of a strong post-COVID-19 revival of the sector.

Slipping

Peak to trough decline of prestige properties in adverse market conditions (%)

		COVID-19* Mar 2020 – May25	2017-2019 (tightened lending conditions)	GFC 2008-2009
HIGH VALUE	Sydney	-0.4	-17.3	-10.8
	Melbourne	-2.4	-16.3	-14.3
	Brisbane	-0.3	-3.7	-10.2
	Perth	-0.3	-17.9	-12.7
	Combined capitals	-0.7	-14.9	-10.8
LOW VALUE	Sydney	-0.2	-11.0	-2.5
	Melbourne	-0.4	-4.0	-1.6
	Brisbane	-0.4	-2.4	-7.1
	Perth**	-0.7	-32.1	-9.2
	Combined capitals	-0.2	-4.5	-2.5

* Based on the daily index. ** Measured from 2014. Value tiers based on quartiles. SOURCE: CORELOGIC

Sydney-based prestige home developer Hamid Samavi of Orosi recently acquired a large development site in Cronulla approved for a luxury apartment complex for $11.1 million.

The 1530 sq m property at 3-5 Parramatta Street, about 30 kilometres south of the Sydney CBD, has been approved for a 25-unit high-end residential development over a maximum five-storey building.

"We plan to start construction in four months and we're looking for more opportunities in premium locations," Mr Samavi said.

The current softness in the upper end follows trends in historic downturns.

"Even though we bought the site during COVID-19 restrictions, we are comfortable that the product we deliver will meet the market. We believe the virus will not impact us as much because we deliver a unique product."

The property currently houses 11 residential units across two unit blocks with a net passing income of $190,000.

The transaction was negotiated by lead agent Demi Carigliano of Knight Frank. Mr Carigliano said the sale demonstrated solid interest among developers for quality sites in the current market.

"We are seeing a noticeable 'flight to quality' from developers, who are focused on boutique-sized projects in proven and more premium locations such as Cronulla, the eastern suburbs and lower north shore," he said.

"This is one of the largest development approved sites sold during COVID-19, and is a very significant result given the recent impact of the pandemic on the property market in the southern part of Sydney."

Another high-end development site changed hands in Sydney during the past seven days with The Agency's Steven Chen selling an inner east development site for more than $12 million to a local developer who was looking to fill their pipeline.

"While the current sentiment is one of caution, limited stock and land availability is seeing developers look to off-market transactions to keep their pipeline flowing," he said. "Seeing these significant sales transact over the last four weeks, confirms the Sydney property market remains robust throughout this period."

Central Coast residential tower gets green light

Larry Schlesinger

The development comprises two towers above a retail podium at Gosford.

Sydney developer James Moses has secured development approval for a new $133 million high-rise apartment project at Gosford on the NSW Central Coast.

Comprising two towers above a retail podium, the 20-storey development with 184 apartments stretches across three sites (previously car yards) running from 321 to 331 Mann Street, opposite the Gosford Hospital.

Development plans for the site were first lodged in 2016 with approval for an amended proposal granted by the Hunter & Central Coast Regional Planning Panel in May.

Mr Moses, who is also the founder of holiday rental website EzyStayz, is developing the project through his development and building company JMGM in partnership with the land owners, Kathlim Pty Ltd and the Nathan Troy Motors Superannuation fund.

He said a display suite would open in July. "Gosford will be a key area for investors to look for buying off-the-plan apartments, as the prices are relatively low compared to Newcastle and Sydney," Mr Moses said.

"We are expecting solid sales from the outset as there has been a demand lag due to the lockdowns."

The launch of the project follows one of the Central Coast's biggest development players, Financial Review Rich Lister Tony Denny, putting a portfolio of six development sites in Terrigal, Gosford and Point Frederick up for sale in March. The decision caught the local business community by surprise, given Mr Denny has been a strong advocate for regional development and the Central Coast in particular.

Five of the sites have approvals already in place and one, the Lumiere Project in Point Frederick, has been cleared for construction to begin.

Another prominent developer and investor on the Central Coast is ad man John Singleton, who last year paid $25 million for Gosford's Elanora Hotel.

Mr Moses said he was in discussion with Minor Hotels, whose brands include Anantara, Avani and NH Hotels, to create a 92-room boutique hotel in one of the towers, adding: "Gosford has an exciting future ahead. There are many large projects which will begin construction next year and will launch Gosford into a new era of being a world class city."

Among those projects, the state government recently pledged $80 million to upgrade the Gosford-to-Sydney train line to allow high-speed rail.

Villawood bucks trend of falling lot sales

Larry Schlesinger

Villawood Properties has bucked the steep national decline in lot sales in May, with the major private land developer on track to record its strongest sales month since February.

With a week left in May, the Melbourne-based group said it had secured deposits on 92 lots across its communities in Victorian and south-east Queensland.

This is up on the 61 deposits in April and 53 in March. Villawood recorded almost 100 sales in February, before the first wave of COVID-19 restrictions hit Australia in mid-March.

Despite having to hastily cancel the launch event of its 2500-lot community, Redstone at Sunbury, north of Melbourne, Villawood forged ahead with the project, incorporating a digital deposit-taking platform rolled out by its marketing agents, Oliver Hume.

"Interest and inquiry by first home-buyers, upsizers and downsizers has been good, given the circumstances," Villawood executive director Rory Costelloe said. "The number of inquiries is significantly down but the people who do inquire are serious about buying, so are turning into sales. It shows a sizeable section of the market remains largely unaffected by the coronavirus."

Redstone estate hosted a Queen concert in 1974.

He said a number of potential purchasers who were thinking of pulling out due to the quarantine are now more confident. "Many had been afraid of losing jobs rather than actually out of work," Mr Costelloe said.

New figures compiled by Research4 found the country's three biggest greenfield markets suffered net sales falls of between 60 per cent and 80 per cent between late March and the end of April, compared with the first quarter of the year.

Research4 director Colin Keane said underlying demand for new land was expected to fall 30 per cent over the next year.

But land market sales veteran Bob Hand, who runs Latitude Real Estate, said there were genuine buyers in the market if developers continued to aggressively advertise and market estates. "We had two weeks of strong sales across a number of projects with developers marketing aggressively and offering incentives like partially paying a buyer's rent or offering discounts on lots," he said.

Mirvac and VIP Properties' Woodlea in Melbourne's west said 100 prospective buyers had joined the waitlist for its latest townhouse release after it offered a $20,000 cash bonus. Woodlea said titled land sales were also up 300 per cent in April, compared with March.