

## Stockland to bulk up in Melbourne

### Exclusive

Larry Schlesinger

Stockland looks set to bolster its Melbourne housing pipeline with the ASX-listed developer close to securing “the best approved site in the north” for more than \$100 million, as other developers, with renewed confidence in the residential market, also start to bulk up their land holdings.

On its radar is an 89.5-hectare site at 975 Donnybrook Road, 30 kilometres from the centre of Melbourne, which has the potential to deliver more than 1400 residential lots with a possible end value of about \$700 million, as well as a government school.

Title deeds list the owners of the former farming property as the Di Bella family, who have owned it since 1984.

A spokeswoman for Stockland declined to comment.

Stockland, the country's largest residential developer, is in acquisition mode amid a turnaround in the housing market.

Managing director Mark Steinert told *The Australian Financial Review* last week it was on track to settle more than 5000 lots this financial year and was accelerating its production “to make sure we can meet demand”.

The Donnybrook site is close to Stockland's existing Cloverton Estate and surrounded by major housing projects, including by Satterley Property Group, Mirvac, Dennis Family Homes and Wolfdene.

It is being marketed by **Biggin & Scott Land** and RPM Real Estate Group as “the best PSP (precinct structure plan) approved site in the north”. The expressions of interest campaign closed on September 19. Neither agencies would comment.

### Key points

An 89.5-hectare site 30km from Melbourne is under consideration.

Stockland is in acquisition mode as confidence rebounds in housing.

If the deal proceeds – as is expected – it will mark the third Melbourne land acquisition by Stockland this year.

In August, Stockland struck a deal with landowner Food Investments Ltd to develop 210 townhouses adjacent to its project in Altona. The developer also entered into a “long-dated project delivery agreement” with a Merrifield North landowner to develop 342 hectares of land in the north.

These deals mark a sharp turnaround in strategy after Stockland sold its prized housing estate The Grove in Melbourne's west to Frasers Property Australia for \$202.5 million in December as it looked to de-gear and fund a buyback.

Speaking at Stockland's AGM last week, Mr Steinert said: “We are still seeing strong demand for house and land packages in affordable, liveable communities with around 80 per cent of our product sold to owner-occupiers.”

As of June 30, Stockland owned 12 residential estates in Victoria with a \$1 billion book value and comprising 24,000 unsold lots.

Other developers are also bulking up their landbanks. Earlier this month, the *Financial Review* revealed Chinese-backed Blueways Group and its local development partner Wolfdene had paid around \$60 million for a 42-hectare site in the city's north-west.

## Grocon puts subsidiaries into administration over \$28m spat

Michael Bleby

A dispute between two of Australia's best-known property companies has become public after builder Grocon put two subsidiaries into voluntary administration in the middle of a court battle with Dexus over a \$28 million lease claim against it by the country's largest office landlord.

Grocon executive chairman Daniel Grollo on Friday called the decision to put the two units into administration regrettable but said he was forced to do it after Dexus – whose attitude he called “unreasonable and disappointing” – escalated its demands for payment even though a court process was continuing.

A Grocon spokeswoman declined to give more detail about the demands the company said Dexus had made.

“I don't think we want to go in to specifics on that,” she said.

The dispute arises out of unpaid lease obligations stretching over three years Grocon owed to Dexus over commercial space it occupied at 480 Queen Street, Brisbane. Dexus said it and Grocon entered had an agreement to restructure and extend the payment terms, but that Grocon had not complied with the agreement.

Grocon took Dexus to the Federal Court in Victoria in February, challenging the validity of the landlord's demand. The court found against Grocon by determining Dexus had not abused process as alleged and Grocon appealed.

The two parties were due to go to the Federal Court of Appeal next month. Dexus, which says it expected judgment to be handed down soon after the November 22 hearing, accused Grocon of avoiding judgment by putting the two entities, Grocon Constructors (Qld) Pty Ltd and Grocon Constructors (Vic) Pty Ltd, into administration.

Dexus general counsel and company secretary Brett Cameron said Grocon “appears to be seeking to avoid the court hearing by winding up these entities”.

Grocon also developed the office tower, which it sold to Dexus and the



The dispute involves unpaid lease obligations over three years at Dexus' 480 Queen Street, Brisbane. PHOTO: BRADLEY KANARIS

Dexus Wholesale Property Fund. In a matter unrelated to the \$28 million spat, *The Australian Financial Review's* Street Talk column last year reported that Grocon was pressured by rental guarantee obligations it had relating to the “lease tails” of tenants it drew out of other buildings to 480 Queen Street.

Grocon lost \$27.5 million in 2017, prompting auditor PwC to report that “material uncertainty” cast doubt on its

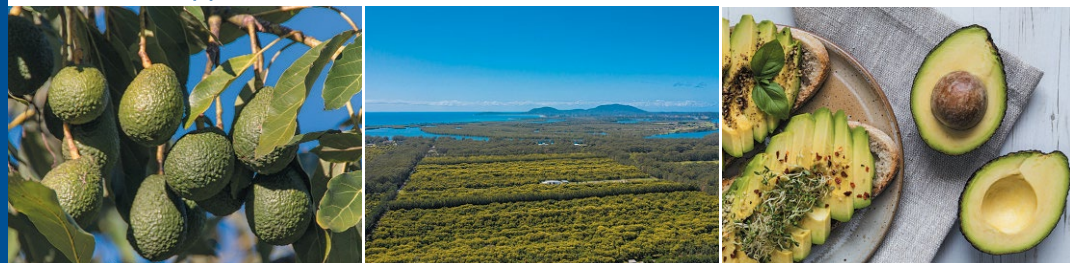
ability to continue as a going concern.

The privately owned builder on Friday said it had appointed John Park of FTI Consulting in Brisbane as administrator of two subsidiaries.

Grocon said both subsidiaries were dormant and had no employees. Their administration would not affect the builder's other projects, including The Ribbon in Sydney and Northumberland in Melbourne.

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Detailed Information Memorandum Available.

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