

Mirvac locks in \$2bn of unit work in Sydney

- Florence Chong
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MIRVAC Group will develop four new Sydney apartment towers with a total end value of almost \$2 billion as it ramps up its inner-city residential work book.

Three of the projects are in inner Sydney -- Harold Park Paceway; Green Square and East Circular Quay -- and the fourth in Chatswood on the North Shore.

With the new projects, acquired in the past six months, Mirvac will reverse the balance of its residential development pipeline from house and land projects in favour of apartments.

The value of Mirvac's apartment projects has risen to \$10.7bn, representing 52.3 per cent of its residential pipeline, compared with 48.5 per cent at the end of December last year.

In January, Mirvac provisioned \$215 million against unprofitable development projects and unsold stock in poorly performing regional markets, including \$103m against its lifestyle project Magenta Shores on the NSW Central Coast.

When announcing the first-half results last month, managing director Nick Collishaw said seven sites had been identified for sale over the next two years.

They include the remaining undeveloped Royal Newcastle site also on the NSW Central Coast and Magenta Shores, which will potentially raise \$145m.

Mirvac declined to comment on the status of the large-scale Green Square redevelopment or a \$200m joint venture with AMP Capital Investors to convert the Coca-Cola Amatil building in Macquarie Street into luxury units.

Mirvac is understood to have reached an agreement with AMP and its board has signed off on the deal, according to market sources.

Analysts said Mirvac planned to build 100 units on the site, priced from \$1.8m for a studio apartment, and to complete a streetscape, featuring colonnades, along East Circular Quay with access to Macquarie Street.

Mirvac is the preferred developer for the Green Square site, in a joint venture with Leighton Properties and Landcom.

It will have a 25 per cent stake in the project, zoned for 1600 apartments, with a potential end value of \$1.35bn.

Last month, the NSW Department of Planning approved the controversial rezoning of a site in Chatswood from commercial to residential. Mirvac has held the site for more than a decade.

John Carfi, Mirvac's chief executive for NSW/Victoria, said 295 units, priced in the mid-range, would be built on the site. Marketing of the project would begin in May.

Mr Carfi said demand for apartments was strong in Sydney, citing the response to its Harold Park Paceway project in Glebe.

Soon after its signboard went up on the site after clinching an agreement with the state government in December, Mr Carfi said about 700 expressions of interest from potential buyers had been received.

"Our strategy is to step up development to meet the strong demand in inner-city suburbs. We will build 1700 apartments this year," he said, adding, however, that the number would still be below its 2003 peak of 3000 units.

With major developer Stockland leaving the apartment market and smaller private developers still unable to obtain finance for their projects, supply of new units has fallen behind demand.

"Every week, I am fielding at least two inquiries from agents and developers wanting to sell their sites," said Mr Carfi.

"The major banks want 40 per cent equity in projects and pre-sales (of apartments) fully covering the construction cost. And they also want to be able to select the builders."

The demand for apartments stemmed from members of Generation Y who preferred to live in near-city, 50sqm studio units than in houses on quarter-acre blocks in the outer-western suburbs. "We are seeing a generational shift," Mr Carfi said.

While Mirvac is seen as an upmarket developer, Mr Carfi said it planned to broaden and deepen its client base by catering to buyers of smaller apartments priced from \$500,000.

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