Chinese demand stays strong

Ben Wilmot and **Rebecca Thistleton**

Leading property agencies say demand from Chinese developers is flourishing and there is a strong bid in Sydney and Melbourne for more sites.

A $280 million apartment project developed by the Chinese-backed Ausbo Group and CBRE was launched in Sydney's Chinatown on Saturday, and 200 of the 270 apartments were sold.

CBRE reported queues gathering for the off-the-plan sale from around 7am on Saturday, after a five-week registration of interest campaign which generated more than 3000 inquiries.

About $150 million worth of apartments sold, with about 35 sold an hour in the morning after doors to the display centre opened at 7.30am.

The site was the last of 20 "black hole" dormant sites in Sydney's CBD to be developed. Once built, it will comprise one 16- and one 17-storey tower rising above part of the facade of the old poultry section at Paddy's Market.

About 55 per cent of buyers were owner-occupiers and many were locals. Any stock remaining by May 7 will be marketed in Hong Kong.

There has been strong Chinese interest in Melbourne for some time which has started to spread into the Sydney development market.

Colliers International managing director, residential, Peter Chittenden, noted that some Chinese groups that had set up in Melbourne were now looking to NSW.

"They're shopping for more development sites in Sydney," he said, noting a focus on suburbs with a high proportion of Asian people.

Chinese-backed groups are already undertaking upper end projects in Sydney. Wu International Investments is developing a boutique mixed-use project in Chatswood.

Colliers is marketing the project and Mr Chittenden said most of the stock was priced above $1 million.

CBRE associate director Mark Wizel said Chinese developers were continuing to chase larger development sites in Melbourne.

"Due to the rebound in the pre-sale market for apartments in and around the Melbourne CBD, when suitable large sites do come to market, interest will be received from Chinese groups," he said.

He added that Chinese developers were also seeking the backing of Chinese banks, such as China Construction Bank, China Agriculture Bank and Bank of China, for their Australian projects.

Marc Giuffrida, managing director, capital transactions, Asia Pacific, for Knight Frank said: "Australia's seen as being quite a stable market and is able to offset a lot of the volatility that Asian developers are currently going through in their home markets."

Some cities in mainland China and markets in South-East Asia are seen as oversupplied with apartments, which has prompted government moves to cool the markets and led developers there to look for opportunities in Australia.

"They've often got a brand name that many people recognise," Mr Giuffrida said.

This helps players like Malaysia's SP Setia, which has been active in Melbourne, to sell their projects to investors in their home markets. Offshore financiers are also willing to accept a higher component of presales to offshore purchasers than Australian banks.

The Foreign Investment Review Board approved $4 billion worth of Chinese investment into Australian real estate in 2010-11.

The FIRB's annual report, released this month, showed China came in behind the UK's $4.6 billion as the largest foreign investors in property.

Total foreign investment in real estate reached $41.5 billion in 2010-11. The figures reflected a rule change from April 2010 which no longer exempted temporary residents from having to notify the authorities of property acquisitions.

The Quay, a WMK Architecture-designed project in Sydney's Chinatown, will be a $280 million complex on completion.

KEY POINTS

- 200 of 270 apartments in a project in Sydney's Chinatown sold in a day.
- Chinese developers keen on sites in Sydney and Melbourne.
- China was No.2 foreign investor in Australian property in 2010-11.

Kiwi trust sells NZ block

Kiwi Income Property Trust, which is run by Colonial First State Global Asset Management, has sold Beca House in Pitt Street, Auckland, for $NZ55 million ($43 million). The price represents a 2 per cent premium to the book value of the property and an 8 per cent yield. The sale of the 10-storey, 16,800-square-metre office building, to a private investor, was brokered by CBRE.

Ainslie Chandler

AT Kearney in MCA move

International management consultancy AT Kearney has taken a five-year lease on a full floor of office space in the Museum of Contemporary Art at Circular Quay, Sydney. The firm, which is moving out of Governor Phillip Tower, is believed to be paying gross rent of $800 to $900 per square metre on the 900 sq-m tenancy, and incentives were in the low to mid teens. The tenancy includes access to two 150 sq-m decks. The leasing deal was brokered by Ray White Commercial office leasing directors Anthony Harris and Jeremy Piggin.

Ainslie Chandler

Agribusiness arm for CBRE

CBRE has launched an agribusiness division, and appointed Shaun Hendy, Tim McKinnon and William Barton as directors to lead the team. Three assistant valuers will also join CBRE, and more appointments are expected soon. The team will deal with dairy, forestry, grazing and cropping, mining tenements, viticulture and water entitlements.

Ainslie Chandler

Arena fund closes offer

An entitlement offer launched by the unlisted Arena Property Fund has closed. The fund has a portfolio of commercial property assets worth $266.85 million and the offer was underwritten by an associate of Morgan Stanley. A real estate fund run by the investment bank picked up Arena Investment Management Ltd last year and has since recapitalised the business and its funds.

Ben Wilmot

Centro restructures MCS

Investors in the unlisted Centro MCS