

Development Plans for two projects give group \$1b pipeline

UEM Sunrise shines on Melbourne

Exclusive

Nick Lenaghan

Dato' Izzaddin Idris, group managing director of Malaysian infrastructure and property giant UEM Group, still knows the streets of Sydney well.

Thirty years ago he graduated from the University of New South Wales before launching a business career that has taken him to the top of the UEM conglomerate, which is fully owned by Malaysian sovereign fund Khazanah Nasional.

But fond memories of his student days did not distract Dato' Izzaddin from the economic logic of launching into the Melbourne market first.

Through listed subsidiary UEM Sunrise the Malaysian developer acquired two key sites in the Melbourne central business district last year.

It is now pursuing plans for two residential projects, giving UEM Sunrise an Australian pipeline of almost \$1 billion. Dato' Izzaddin, who is also UEM Sunrise's executive director, still likes Sydney, but Melbourne valuations make more sense.

"Melbourne has better upside for us. I'm very pleasantly surprised that Melbourne has transformed itself into a bonding city which leverages cosmopolitan," said Dato' Izzaddin in his first interview with an Australian newspaper.

"When the team showed me the opportunity, I said show me the CBD map of Melbourne. Then I said 'don't think any more, just close the deal'."

It is rare opportunity for insight into the commercial thinking of a major regional player, as Asian investors set the pace in Australian inner-city residential markets.

UEM Sunrise has built a broad portfolio of high-rise and township projects



Dato' Izzaddin Idris graduated from UNSW but says Melbourne property valuations make more sense.

in Malaysia. It's developing the Nusajaya section of the mammoth Iskandar Malaysia project across from Singapore.

It has also expanded into global markets, with a mixed-use development in Vancouver and a land bank in Durban, South Africa.

"For a country the size of Malaysia, there is a limitation as to what we can do," Dato' Izzaddin said. "Whether you are in property or infrastructure, there is only so much you can do in a country which is constrained by physical size and population base."

"If you're a strong developer in high-rise developments you want to go to major cities, like Jakarta, like Melbourne, like Sydney, to branch out."

UEM Sunrise brings its expertise in integrated living to the Melbourne

high-rise projects. At its La Trobe Street site, a prime position opposite Melbourne Central, it has lodged plans for an 86-storey tower with 1,139 apartments. Another 204 units have been set aside for serviced apartments or a hotel.

Two blocks away on Mackenzie Street, UEM Sunrise is planning a 37-storey tower, with 473 apartments and views across the nearby Carlton and Exhibition Gardens.

Dato' Izzaddin is unconcerned by any potential oversupply in the Melbourne market. Instead he points to a recent report of Telstra's plans for a key city site as a sign of the strength in the local market.

"I'm encouraged when I read Telstra wanting to redevelop its land bank. It's always a good sign. It's always encouragement that even local corporations

are confident for this economy. We are a few thousand kilometres [away]. We look and read. We get intel reports from brokers, from bankers. We read *The Australian Financial Review*."

"I'm very optimistic about the market. Property is a cyclical business. At the end of the day it's a question of sustainability and stamina."

That confidence extends to the broader Australian economy. Parent company UEM, partnered by Malaysian pension fund EPF, was one of the bidders in the \$7 billion sale of Queensland Motorways.

Meanwhile, it is Melbourne real estate that is keeping UEM busy.

"My instruction to the team is 'deliver this one, get the construction going, get the sales done, then we can start looking at other opportunities.'"

Golf field narrows

Eight developers believed to include Mirvac and WA-based Satterley Property Group have been shortlisted for the Kingswood Golf Course site in Dingley Village in Melbourne's south-east. The 53.4-hectare site, which has capacity for more than 1000 dwellings, is expected to fetch around \$100 million. The sale is being handled by Ernst & Young and property development group Robert Luxmoore on behalf of the club. LAMR/SCL/ENR/228

Toll in Keilor Park

Toll Holdings has leased a 6000-square-metre distribution centre in Keilor Park in Melbourne's north-west from packaging company Multivac. Toll will pay net rent of \$250,000 per annum on a four-year term. The lease was negotiated by Anthony Carbone of CVA Property Consultants. LAMR/SCL/ENR/228

SCA to pay 5.6c

SCA Property Group (SCP), which owns a portfolio of shopping malls, will pay a 5.6c per stapled unit distribution for the six-month period to June 30, 2014. The value of the SCP portfolio has risen by \$25.7 million since December 31. LAMR/SCL/ENR/228

CFS payout unchanged

CFS Retail Property Trust (CFR) will pay a six-month distribution of 6.8c per security for the period to June 30, unchanged from the payout for the same period last year. LAMR/SCL/ENR/228

New heads at KF

Knight Frank has appointed Justin Bond and Ben McGrath as senior directors of capital markets, to be based in the Brisbane office. They are both former partners at McVay Real Estate in Brisbane. SMMR/ENR/14311/0520

Swann House for sale

Melbourne art-deco building Swann House at 22 William Street is for sale for more than \$20 million. It has a net building area of 5700 square metres and floor plates of 550 square metres. The building is Capital City zoned and strata-titled into 14 titles. It is about 90 per cent leased, with a net income of \$1,128,000, rising to \$1,461,000 on a fully let basis. Klinger Wood director Eugene Wood holds the listing. EOI are due on July 25. SMMR/ENR/14311/0520

Quintessential sees wisdom in third Canberra buy

Nick Lenaghan

Boutique property fund manager Quintessential Equity has snapped up a Canberra office building for \$18 million, its third opportunistic acquisition in the national capital in two years.

The commercial office complex at 10 Moore Street was purchased from AMP Capital, with 92 per cent

occupancy. Director Shane Quinn is steering clear of the Melbourne-based fund manager's hometown market, where high incentives make it difficult to justify any office acquisitions.

"We're taking a longer term view that, on a rate per square, we are buying well below replacement value," he said.

"That is underwriting our ability to sustain the leasing pain that is being

felt in Canberra, and all around the country.

"We're being counter-cyclical. When people are running to Canberra, that's when we'll be selling. And when they're running from it, that's when we're running at it."

The six-level Optus Centre is the third Canberra acquisition for Quintessential, which manages a \$200 million

portfolio. This month Quintessential settled on an office building at 14 Moore Street, purchased from DEXUS Property Group for \$23 million.

In June 2012 the fund manager acquired a property in Bowes Street, Phillip for \$14 million.

Colliers agents Michael Heather and Tim Mutton handled the on-market sale campaign for 10 Moore Street.

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