



An artist's render of MaxCap and Central Element's planned project at 15 Ellis Street, Chatswood on Sydney's north shore.

MaxCap funds \$150m Chatswood unit tower

High-end investment

Michael Bleby

MaxCap's \$300 million direct investment arm is making its first equity play in high-end Sydney residential development on a 16-level project in Sydney's Chatswood with developer Central Element.

The financing company known primarily as a debt financier, with about \$4 billion in assets under management, was taking advantage of pandemic-driven changes in the market to boost its newer direct equity investment arm, said MaxCap's head of direct investment, Simon Hulett.

"There's been a significant shift in the market," Mr Hulett told *The Australian Financial Review*.

"A couple of things come out of that. One is the flight to quality and the fact that people are much more focused on the quality of their product that they're purchasing - they want to know who the developer is, who the builder is, they want to know what the finishes are. They want all that detail."

The retreat of investors - particularly

foreign investors - had also created a gap and this, paired with the growing demand of local high-net-worth and other sophisticated investors wanting higher returns, was driving the push for a direct investment portfolio as big as the company's debt assets, he said.

"On the equity side, we're looking to grow as big," Mr Hulett said. "I've got lofty ambitions."

The business unit, which includes the MaxCap Industrial Opportunity Fund, has already invested in residential projects in Melbourne, such as ICD's 65-storey Aspire tower at Flagstaff Gardens.

The current return across MaxCap's \$300 million direct investment portfolio was "around" 23 per cent gross, in contrast to a "single-digit" return on senior debt and a return in the "teens" on mezzanine debt, he said.

The project at 15 Ellis Street will include 55 luxury apartments, retail and wellness facilities and offer views of the Sydney CBD and Blue Mountains. The project has achieved a first-stage "gateway" approval from the local Willoughby City Council and is now undertaking a design excellence

competition - the council's first - to come up with a detailed design.

Architecture firms Woods Bagot, SJB and fjmt are competing and the winning design is due to be announced in coming weeks.

The budgeted construction cost is \$40 million and the end value of the project is \$150 million. A builder is likely to be appointed at the end of this year - about the same time as sales begin - with construction starting next year. It is due to be completed in early 2024, about the time of the expected opening of Chatswood's new Sydney Metro train station.

"This luxury residential development will target the strong owner-occupier market in Sydney and appeals to what we believe is an underserved local demographic," said Central Element managing director Nathan Chivas.

"That is a segment of the market looking for premium product, mainly comprising generously sized two- and three-bedroom apartments."

Mr Hulett declined to give a price for the apartments, saying they would be "looking to attract premium in the market for a premium product".

Luxcon to add more luxury apartments in Melbourne

Development

Larry Schlesinger

Sydney-based developer Ilya Melnikoff has followed through on his ambitions to acquire more trophy apartment sites in inner Melbourne, after his Luxcon Group snapped up the Beacon Cove Food Store site in Port Melbourne for \$16.65 million.

The 1400sq m waterfront site at 103 Beach Street is across the road from Station Pier, Melbourne's main cruise ship departure terminal. It was acquired from Melbourne developer V-Leader, which paid \$11.2 million for it in 2017.

It is Mr Melnikoff's second Melbourne acquisition after buying an old office building overlooking Fitzroy Gardens in East Melbourne in May last year that will make way for a \$130 million development of 24 residences.

Unlike the residential skyscrapers developed by his uncle, Meriton boss Harry Triguboff, Mr Melnikoff favours smaller, boutique projects featuring larger apartments aimed at local downsizers.

"I don't have a lot of faith in the investor [apartment] market. There's a lot of build-to-rent coming up which will suck up a lot of the rental demand," Mr Melnikoff said.

But he said there was a lot of demand for larger-format residences and "true luxury apartments".

"A lot of projects are marketed as luxury, but don't deliver on that," he said.

"Owner occupiers want larger apart-

ment sizes and something with really luxurious finishes."

The Port Melbourne site sold with a permit for 14 oversized residences and a 600sq m ground space.

Luxcon's reworked design by architects Carr will offer 19 apartments, including two-bedroom apartments with an average size of 110sq m and three-bedders ranging from 140sq m to 165sq m.

The top floor will feature three penthouses with expansive terraces overlooking the CBD and beachfront. Prices are expected to start from \$2 million.

The new design will feature a boutique fresh food supermarket at ground floor and 19 residences with 12 different design configurations, which will bring the project's end value to about \$70 million," Mr Melnikoff said.

Construction of Luxcon's Port Melbourne and East Melbourne projects is expected to begin in the next few months.

About 40 per cent of the East Melbourne apartments had sold off the plan, Mr Melnikoff said.

The Port Melbourne site is next to a large triangular site at I-5 Waterfront Place owned by Kuwaiti sheikh Mubarak Abdullah Al-Mubarak Al-Sabah through his development company Action Group Australia.

In May, Action Group lodged fresh plans to build a 10-storey apartment development on the site, its third attempt at a project after Victorian Planning Minister Richard Wynne intervened to block it in 2018.



The Port Melbourne site is across from Melbourne's main cruise ship terminal.

St Kilda island fetches \$7.9m

A St Kilda island site spanning 1370sq m has sold for \$7.9 million. A local developer purchased the 344-360 St Kilda Road site with permit for a premium six-storey mixed-use development, with a net saleable area of 4743sq m and residences designed for the growing downsizer and owner-occupier segments of the market. Fitzroy's Mark Talbot and Shawn Luo, together with Danny Clark and Michael Gross of Gross Waddell ICR, marketed the property. MICHAEL BLEBY

Nest finds a home

Health services group Nest Family Clinic has struck a 30-year lease including options at 289-291 Kooyong Road, in Elsterwick in Melbourne's inner south-east. With a rental of \$600,000 annually the property is leased for 10 years plus four further five-year options. The property is being developed by the Smorgon Gutman Group. The transaction was brokered by CBRE's healthcare and social infrastructure team, including Sandro Peluso and Marcello Caspani-Muto. NICK LENAGHAN

Next big project for Sutton

Law firm Norton Rose Fulbright has appointed Nick Sutton as an environment and planning law partner in Melbourne, with a focus on major projects. With qualifications in law and town planning, Mr Sutton was most recently a director at law firm Planning & Property Partners, where he worked for more than a decade. He will assist with the firm's advice on major projects, along with obtaining planning and environment approvals for the development of cities and regions. NICK LENAGHAN

Prime Carlton Site with Hotel Permit

Blue chip landholding on the cusp of the CBD



Expressions of Interest

4-12 Leicester Place, Carlton VIC

- Central 704sq m landholding
- Three frontages to Leicester Place
- Favourable Capital City Zone 5
- Permit & endorsed plans for a hotel project comprising 175 rooms
- 13 level project designed by DKO
- HMA with global brand, TRYP by Wyndham
- Ideal for apartment or student accommodation conversion
- Located between renowned Melbourne & RMIT Universities
- A short walk to the CBD, public transport and nearby parks

*Approx.

For Sale by Expressions of Interest closing 2pm Wednesday 28 July

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