

# LaSalle in the market for local partners

FLORENCE CHONG  
INVESTMENT

THE cashed-up LaSalle Investment Management, which has already committed \$300 million to Australia this year, is negotiating with at least two residential developers to form joint ventures.

Sources told *The Australian* the Chicago-based global investor had approached the Sydney-based Crown International and the Singapore-owned Frasers Property Australia.

They said LaSalle Investment was looking to broaden its portfolio in Australia, a relatively new market, for its \$US3 billion (\$3.4bn) LaSalle Asia Pacific Opportunity Fund III, which was launched in 2007.

LaSalle is understood to be prepared to invest up to \$300m in Australian residential projects.

Frasers Property Australia managing director Stanley Quek declined to comment.

Iwan Sunito, managing director of Crown International, a rapidly growing, privately owned apartment developer in Sydney, confirmed he was in discussions with LaSalle.

"But there is nothing further I can add," he said.

Ian Mackie, LaSalle's Singapore-based chief investment officer for the Asia Pacific, said the group was talking to a number of companies.

"I hope to close the first deal in the next two to three months," he said. "But I cannot talk about specific projects."

Mr Mackie said LaSalle was interested in partnering major developers who wanted to expand their capital base.

His primary interest was medium-density projects in Sydney and Melbourne.

But he ruled out partnering with large listed developers, such as Stockland or Mirvac, saying they were well capitalised and had access to funding.



Ian Mackie

Mr Mackie did not believe there was a housing bubble in Australia, although he said some markets may be "overcooked".

Generally, Sydney and Melbourne were short on lower- to middle-priced housing, he said.

"There is a confluence of factors. There is a logjam of development approvals, a relatively short supply, and bank finance is harder to obtain," Mr Mackie said.

"We have a substantial pile of equity for investment."

**'We have a substantial pile of equity for investment'**

IAN MACKIE  
CHIEF INVESTMENT OFFICER

He noted that only half of the \$US3bn in the fund had been invested, mainly in Asia.

Asked if it was true that LaSalle had a budget of \$300m for residential investment in Australia, Mr Mackie said: "Can we invest \$300m? My answer is yes, but whether we would invest that much, I have no idea (at this stage)."

Industry sources said LaSalle was focusing on projects valued at between \$30m and \$40m to begin with, and it was seeking returns of at least 15 to 20 per cent.

LaSalle Investment has residential projects with partners in Japan, China, Singapore and Hong Kong, with a collective investment of \$US250m.

"We first invested in residential in 2002 in Tokyo. It has been a good investment for us," Mr Mackie said. "We seek at least a 50 per cent stake in a project and we would not be interested in less than that."

LaSalle, which manages almost \$US40bn, recently bought a 25 per cent stake in Grocon's \$800m office development at 163 Elizabeth Street, Sydney.

It also purchased Sydney's Sofitel Wentworth Hotel for \$130m this year.

It is believed to be seeking investment board approval to purchase 179 Castlereagh Street for \$95m.

Mr Mackie said a great deal of capital was sitting on the sidelines waiting for prime Australian assets to become available. The window of opportunity was closing as Australian institutions returned to the market.

He said returns from Australian property investments struggled to be comparable to other markets in Asia, mainly due to high entry costs. "(But) we look at risk-adjusted returns. Australia has less risks and we can live with softer returns."

Mr Mackie said the fund would also look for industrial assets, but said Australia would be difficult for new entrants.

LaSalle Investment is the second-largest owner of warehouses in Japan, after ProLogis Japan.

It is currently building three warehouses in China to increase its portfolio there to six.

It owns warehouses in Singapore and Hong Kong, and has recently entered the Korean market.

Before its acquisitions this year in Australia, its core fund, LaSalle Asia-Pacific Property, launched in 2006, already owned Australian assets valued at \$800m to \$900m.

It holds a 25 per cent stake in a prime office building, 400 George Street in Sydney, and a 50 per cent share in Westfield Doncaster in Melbourne.

# Crown on the rise as slump stalls rivals



RENEE NOWYTARGER

Chief executive Iwan Sunito, an architect turned developer, says Crown International has capitalised where larger developers stalled during the global financial crisis

FLORENCE CHONG  
DEVELOPERS

SYDNEY-BASED Crown International has expanded during the global financial crisis, filling gaps in the apartment market left by the big listed developers.

"The crisis has given us the opportunity to scale up. We have been able to purchase sites which might not have been available in other times," said Iwan Sunito, chief executive of Crown International Holdings Group.

While others might have gone into hibernation during the GFC, Mr Sunito actively expanded into the space vacated by the likes of Stockland, Mirvac, Australand and Becton.

With the big companies shifting

their focus to masterplanned communities, Crown International stepped up its apartment construction on sites previously owned by Mirvac and Brookfield Multiplex, among others. "We are in a different position to others," Mr Sunito said. "We have had continuous cashflow from our projects to fund new projects."

Banks require developers to pre-sell up to 70 per cent of units in a project before they approve development funding.

"When you are building a 50-unit block, it may be possible to pre-sell the required number of units, but not when it is a 300-apartment block," he said.

"In the next two to three years, we will build between \$500 million and \$800m worth of apartments."

Crown is in final negotiations

with John Beville, owner of the Top Ryde shopping centre in Sydney, for the airspace above the centre to build a block of units.

As well, the group is in negotiations over several other sites on the Sydney CBD fringe. Collectively, these additional sites would provide a further 1750 apartments, with the Top Ryde site alone capable of holding 450 units.

Crown's development book — stretching over five years — will generate apartments with an end value of more than \$2 billion, Mr Sunito said. "We are working with the appropriate councils and planning agencies to rezone two sites — a 1.4ha block in Five Dock and a 10,000sq m shopping centre in Eastlake.

"We have grown rapidly in the past two to three years and we

have now reached a stage when we have to restructure to accommodate the growth."

Crown has a staff of 50, including in-house design and construction arms. Former Mirvac managing director Bob Hamilton and executive Denis Broit act as advisers. "Our key advantage is our ability to keep our price down. We produce apartments at \$2500 per square metre — about \$1000 a square metre lower than the bigger developers.

"We can sell an apartment for, say \$400,000, when a bigger company would have to charge \$550,000 to cover their cost."

Being small and nimble was an advantage in helping to control costs. "But a crucial ingredient is buying a site well," Mr Sunito said. "We have been shown lots of pos-

sibilities, but we are careful where we go. We stick to the areas where we know we'll have the distribution channel (real estate agents)."

Crown is currently selling its large Rhodes project, built on former Mirvac land, where many of the 213 units have been sold.

"We are selling between 10 and 20 apartments a month," he said.

Mr Sunito, an architect-turned-developer, said Crown had come a long way from the small company that he set up 14 years ago with a \$5m capital injection to build his first block of 25 apartments.

"We have identified a large pocket of buyers in the \$500,000 to \$700,000 price range," said Mr Sunito. Many buyers were Chinese, Korean or Indian migrants.