



## COMMERCIAL TURNS GOLD AS RESI LOSES ITS LUSTRE

By Nicole Lindsay

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Residential developer Goldfields is making its first foray into commercial office development on the Chapel Street site where Fridcorp failed to erect a 37-storey apartment tower.

Goldfields has lodged plans with the City of Stonnington for a \$300 million 24-level 24,000 square metre office tower, designed by Cox Architecture.

Goldfields recently settled its \$50 million acquisition of 627 Chapel Street, a six-storey office building constructed in 1989 by veteran developer Michael Yates. It is on a 1510 sq m site near the corner of Toorak Road, behind Larry Kestelman's 50-storey skyscraper, Capitol Grand. The deal represents a land value of \$33,112 a sq m.

Fridcorp, one of two dozen tenants in the building, flipped it at what might prove to be the top of the market, only two years after buying it from Henkell Brothers for \$40 million.

Just round the corner at 55 Claremont Street, Mr Yates sold a prime 431 sq m site overlooking the grounds of Melbourne High School, for a reported \$8.6 million - \$19,953 a sqm.

Mr Yates withdrew the luxury project from the market after failing to sell enough apartments to obtain finance. It was the first time he had been forced to withdraw a project in more than 50 years, he told Fairfax Media.

A local developer is exploring both commercial or residential uses for the site, according to the selling agent CBRE.

The shift to commercial property development comes as the residential market cools significantly. Apartment developers Caydon, BPM and Pace have all recently announced office projects in the burgeoning city fringe market.

Lenders are proving keener on commercial projects, following the raft of state and federal regulatory changes to the market.

Goldfields managing director Marco Gattino said "The mood within the banks is for well located commercial. It is seen as a more desirable asset class than residential. There was no shortage of interest from lenders to jump on board and we looked internationally too."

"We only ever looked at this site as an office development. We never approached it as a residential project," Mr Gattino said.

"When we acquired the site, the environment was already positive for commercial. A-grade suburban rents have gone up 10 per cent. They're approaching \$600 a sq m and that was unheard of a few years ago," Mr Gattino said.

Mr Gattino, who previously worked with Clement Lee on the World Trade Centre office precinct, is aiming to build "the best office building outside of the CBD".

"Demand for non-CBD located office is going through the roof and this is the best location outside of the CBD because of all the amenity," he said.

"While Cremorne is well located they're not comparable," he said.

Colliers International agent Rob Joyes said more than 70,000 sq m worth of new office space has been proposed for the South Yarra fringe office market.

"It's got about 100,000 sq m of current office with one of the lowest vacancy rates in the city at 2.3 per cent in March 2018. The vacancy rate for the entire city fringe is 3.3 per cent."

"South Yarra is really going to launch itself on the proximity to Cremorne but the postcode could even a premium to the market rate," Mr Joyes said.

"I'm anticipating rents at \$600 a sq m in the next 24 months," he said.

Down the road, Newmark Capital is planning a \$1.25 billion four-tower office and retail project for the Jam Factory site.

Entertainment giant Village Roadshow has 7000 sq m of office space at the Jam Factory and recently signed a new lease on 500 sq m for its Living Edge business unit at 1-60 Wilson Street.

That deal, negotiated by Fitzroys agents James Lockwood and James Spencer at \$140,000 a year for the 500 sq m first floor space.

Village Roadshow has eight years remaining on its lease at the Jam Factory.