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Chapter Group turns to mixed-use projects in Melbourne

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An artist's impression of Chapter Group's Ukiyo mixed-use project in Melbourne's Prahran.

Melbourne-based residential developer Chapter Group is shifting focus towards mixed-use projects as the Victorian capital's apartment market slows amid a tightening of credit.

The company has added \$400 million worth of projects to its pipeline after snapping up four sites across blue-chip suburbs Toorak, Armadale, Windsor and Fitzroy. The latter three are set to become mixed-use and could include strata office space or a hotel.

"Obviously the residential market has slowed considerably, mainly due to the credit environment," Chapter Group director Dean Lefkos told *The Australian*. "We do think conditions will normalise again. It might take a year and a half, two years."

The recent acquisitions could take this long to get planning approval, allowing the projects to launch in a more stable environment, he said.

Mr Lefkos said a mixed-use component would mean the developer was not solely reliant on the residential market, citing the interest from companies moving their headquarters to city fringe locations.

But he said the group was “finetuning” rather than changing its strategy and would continue to focus on quality, design and super-prime or aspirational suburbs. The residential offering was largely targeted at owner-occupiers, although some investors might be drawn.

The Fitzroy site will be a joint venture with ASX-listed Abacus Property and Crema Group and covers about 1800sq m in the Smith Street precinct.

The new Toorak project — on a 1450sq m site on Malvern Road — will be completed in partnership with developer Sin Heng Chan. The Windsor and Armadale sites account for more than 2000sq m each.

Mr Lefkos said vendor pricing for development sites had been favourable in recent months.