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Five Minutes With Dean Lefkos And David Lee Of Chapter Group

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Prior to founding Meriton, Harry Triguboff ran a taxi fleet, much like his fellow rich-lister Stan Perron. Frank Lowy delivered small goods and Lang Walker ran a business with his father as a plant hire and earth-moving contractor.

Continuing in that tradition are ex-Goldman Sachs Banker Dean Lefkos and former director at Hassell David Lee, who came together seven years ago to start Chapter Group, a Melbourne-based development company.

With highly-complimentary and divergent skill sets – Lee's background in architecture and design nicely supplements Lefkos' experience in finance – the two have managed to build a development portfolio worth over \$200 million since they joined forces in 2010.

As they embark on their latest collaboration together, "The Springfield", *The Urban Developer* spoke with Lefkos and Lee to gain an insight into their relationship, project funding and feasibility and what the future holds for Chapter Group.



The Springfield, image courtesy of Chapter Group

Q. You have a very unique relationship, what drew you to initially partnering and subsequently forming Chapter Group?

Lefkos: It comes down to sharing the same principles. Integrity, commitment to quality and ethics. David designed my house and we found we have these principles in common. We also found the same passion for design and creating something beautiful and tangible that enhances people's lives.

Q. What have you learnt over the years about each other and the process that you initially didn't expect?

Lee: Safe to say our partnership has exceeded our first expectations. Good partners are extremely difficult to find. To have been working together for over ten years and for the partnership to be going stronger than ever is very satisfying.

We are fortunate because we agree on major decisions, we have strong accountability to each other and to our partners, all through the development process, from acquisition to settlement. We keep each other honest in that way.

We learnt to trust each other early on, and whilst we might approach things in a different way, we will not undertake a project unless we are both in agreement. That means we are very selective and let go of many more projects than we actually take on. But we believe it has ultimately kept us successful in this market.



Collection XI, image courtesy of Chapter Group

Q. What are the key opportunities and challenges you've identified for two people combining with your individual skill sets?

Lee: There are times where we take different views as well. This stems from our different backgrounds – I oversee the design and creative process and Dean is acquisitions and financial viability.

Sometimes there can be tension between design and financial returns! So we push each other to innovate to achieve both, and you can see that in projects like Collection XI and the Springfield Toorak which are ground breaking in design for their respective suburbs yet still make good financial sense. Our differences are also our strength.

Q. Leading on from the last question, how has each other's skill sets influenced the way you operate?

Lee: You do not have to sacrifice one for the other. Beautiful design and financial viability can co-exist. It is this integrated approach, having the design function in-house which gives us a competitive advantage. Normally that is the case only for the large or listed developers. We bring this integrated approach to our more boutique projects.



Chapter Group's upcoming Prahran project which is currently in planning

Q. We recently published a story on [Kokoda Property securing a \\$120 million deal with Goldman Sachs](#) for the construction of their upcoming Brisbane project. What is your take on the current climate for developers looking to fund their projects and where do you see the major challenges? Do you think we'll see more non-bank funded deals like this?

Lefkos: Yes we will continue to see more non-bank funded deals. The banks are continually pressured by APRA to reduce development lending exposure so gaps in the market have emerged.

The major challenges are with new developers who do not have a proven track record. Access to either bank or non-bank funding for these developers is very limited. We are seeing these developers have to sell sites because they can't get access to funding.

Q. Can you give our readers a little further insight into how you identify and execute on the right opportunities to ensure you continually have good access to capital?

Lefkos: There is no shortage of capital for the right developers and the right projects. Our joint venture partners in our projects are all strong financial partners. They see how we conduct ourselves, with them, with our end customers, we have proven ourselves in past projects and have their trust. Our project selection process is very robust. We did not acquire a new site for the last 18 months, because we could not make sense of pricing. Despite all our existing joint venture partners hounding us for new deals! The capital is there for us but we will not waver from our process.

Q. What's next for Chapter Group?

Lefkos: Construction for The Springfield has commenced and Collection XI is due to complete around April next year. We have a new mixed-use project launching early next year in Prahran which will be very exciting. And we recently acquired another site in Toorak for a luxury apartment project we hope to launch in late 2018. We are in due diligence on several larger sites which would be truly iconic. Watch this space!