

What worries a billionaire developer

Property observed

Robert Harley



Billionaire apartment developer Harry Triguboff had just been to see the chairman of APRA, Wayne Byers, when he and I met last week.

The banks' moves to toughen lending to offshore apartment buyers worry him. And it is not the only issue that concerns the founder of Australia's largest apartment developer, Meriton.

As one of Arrium's largest customers, Triguboff is worried about the future of his steel, and has written to the ANZ, a banker to both Meriton and Arrium, outlining his concerns.

Most of all he is angry about the increasing use of voluntary planning agreements (VPAs) by local governments who trade increased planning density for a developer contribution to council funds or facilities. "The only reason why I am reaching out to the media is because the councils and the government won't listen and won't respond," he says.

Most of Meriton's apartment buyers come from China and most fund their purchases locally. But local borrowing has become more difficult as the banks, prodded by APRA, seek the security of more documentation and higher deposits.

Many are already locked into off-the-plan contracts to buy apartments and may struggle to settle the purchases.

"The banks had a very good name with the Chinese but now they cannot trust them," Triguboff says.

"The problem is they don't know how much the banks will give till the end."

Triguboff says the banks are now asking Chinese buyers to produce their tax statements.

"Let's see how that goes," he smiles.

The Reserve Bank has also expressed concern about potential apartment oversupply, as recently as last Friday's *Financial Stability Review*.

"I don't know who he [Reserve Bank Governor Glenn Stevens] talks to," Triguboff says. "There is no problem because the rents are very high in comparison to repayments."

"In the Brisbane CBD, with the new apartments, there is no problem in leasing. I know that because I have some."

Triguboff acknowledges apartment prices have stopped rising.

He says it is because the "banks are scared ... Scared of nothing. There is no problem yet because the buyers bought two years ago and the prices have gone up. And rents are going up."

But Triguboff has a caveat for inner-city Melbourne. "In Melbourne the developers are wrong ... they build these huge monsters. You cannot make much money," he says.

Triguboff is a \$100 million customer of Arrium. He likes the steel, the way it is supplied and the "on the ground"

innovation. Like many in his industry, he is worried that the administration will change a good relationship.

The greatest ire is reserved for the increasing use of VPAs, and the potential for other forms of value capture.

For Triguboff, the problems are the lack of certainty and the delays. Then there's the fact that councillors will not talk to him about the issues.

"The councils approve more apartments so as to get more money. But the vendors don't know what to charge and the councils do not know what to charge," he says. "You need consistency."

Importantly, Triguboff is not the only one who has noted the proliferation of VPAs in Sydney.

The chief executive of developer lobby the Urban Taskforce, Chris Johnson says the Turnbull government's interest in value capture has encouraged local governments in Sydney, such as Parramatta, Woollahra, Hornsby and Burwood, to pursue a share of the lift in value created by planning.

"There are a whole raft of councils who want to make money by selling off higher floor space," he says. "It creates confusion and I don't think the community understands what is going on."

The NSW chief executive of the Urban Development Institute of Australia,

The councils and the government won't listen and won't respond.

Stephen Albin, says the use of VPAs is "out of control".

"It's not transparent, it's not certain and it undermines the integrity of the planning system," he says. "You can understand why the community is concerned about the integrity of the planning system."

Overall, with Meriton now a \$15 billion property empire, Triguboff should be content. The chatter about the future of his business has subsided.

Triguboff is considering an advisory board to take control "in case something happens to me".

"I am very happy at the moment because I have a lot of approvals, at Dee Why, Rosebery, Mascot, Pagewood, and in Sussex Street," he says. "That is over 2000 apartments, so I can start building, and I bought the sites very cheap."

And with the exception of Pagewood, they are not affected by voluntary planning agreements.

But there is always another phone call to make. Triguboff would like to talk to NSW Transport Minister Andrew Constance about extending the new light rail to Maroubra, and then around to that Pagewood site.

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