Developers concerned about rising material costs, not rate rise

By **LISA ALLEN**, ASSOCIATE EDITOR & EDITOR, MANSION AUSTRALIA
11:05PM MAY 6, 2022 • 1 COMMENT

Australia's richest property developer, Harry Triguboff, has 14 apartment towers on the market and he is about to launch more. He is not concerned about this week's interest rate rise because he offers at least 25 per cent of his Sydney and Gold Coast buyers three years' fixed vendor finance.

Triguboff is more concerned about the increase in building material costs. If he can't sell his apartments he reckons he can make more money holding them from the market and renting them out to a housing market that cannot be satiated by the current amount of housing stock.

"The way I see it, the rents have to go up first if rates are to rise further," Mr Triguboff says.

For the multi-billionaire who started in Sydney with nothing in the 1960s, that is the story.

But others have a different tale.

Upscale property developer Danny Avidan reckons it will be six months before real estate prices start lifting again. Apart from the jump in interest rates, he is concerned about a number of things including the war in Ukraine, global inflation and – like Mr Triguboff – substantial rises in building material costs.

"Our timber comes from Russia," says Mr Avidan, who is presently developing the Piper apartments in Sydney's upscale Point Piper. "I absolutely expected this interest rate rise. It's been a media frenzy for the past six months. It's been expected. When you have inflation interest rate increases have got to increase. We will just have to ride it out.

"Once we get through the election and immigration opens up, we will ride it out," he says, adding that his Piper development with Fortis in Sydney's Eastern Suburbs is selling well.

"We have sold a handful of apartments ... there's been a great reaction with apartments selling for an average of $45,000 per square metre," he says.

Marketing agent CBRE's Ben Stewart adds that one apartment had just sold for $12m and he was working on more big deals.

In the regions, near Gulgong, in the NSW central west, Richard Royle of Cullen Royle is marketing a historic rural property with a price tag of $15m on behalf of the vendor, the Cropper family. The 451ha Guntawang, on the banks of the pristine Cudgegong River, produces elite thoroughbreds and fine livestock, and dates back to the first land grant in 1821.

The Italianate-style homestead includes marble fireplaces, 15ft-high ceilings, wide verandas, and floor-to-ceiling sash windows. The in-ground pool was recently renovated and there is separate staff and guest accommodation.

There's also a vet service complex and machinery, a workshop, hay sheds and garaging – along with 3km of frontage to the Cudgegong River.

Mr Royle says this week's interest rate rise by the Reserve Bank will not affect buyers at the $15m level.

"It's a distraction," he says.

"Properties likes this don't come on the market very often. The rate rise won't have an impact, not at the $15m level. These buyers have a fair bit of cash reserve," he says, adding that it will affect first-home buyers the most.

"Buyers at this level are not impacted by interest rates. Rates are not high on their agenda and there's a lot more capital growth in these properties than there would be on their cash in the bank," he says.

In Brisbane, Don O'Rorke, who is building the Monarch apartments at Toowong on the Brisbane River, says the rate rise was not unexpected.

"Given where the economy is at, it is probably necessary," Mr O'Rorke says.

"Let us not forget that interest rate rises are designed to dampen very buoyant economies – so in some sense we are paying for our successes. We don't believe that this will have any material affect on either confidence or debt serviceability.

"Markets are driven by other factors such as population growth, employment and vacancy levels and in most markets these are all very much in the positive."

Mr O'Rorke says Brisbane is extremely affordable in comparison to Sydney and Melbourne.

"Added to that, there are low vacancies and the intangibility of it being an Olympic city," he says.

"Our Monarch project at Toowong also enjoys the fact that there are no other riverfront projects in the western suburbs of Brisbane, and we are full steam ahead preparing for a marketing launch as soon as the development approval issues – which we expect to be in the next three months."

There will be 235 apartments in the two buildings together with the restoration of the heritage Middenbury House building which will contain a restaurant and day spa. Prices for the apartments are yet to be finalised.

Monarch is expected to be launched later this year and completed by Christmas 2024.

LISA ALLEN, ASSOCIATE EDITOR & EDITOR, MANSION AUSTRALIA

Lisa Allen is an Associate Editor of The Australian, and is Editor of The Weekend Australian's property magazine, Mansion Australia. Lisa has been a senior reporter in business and property with the paper since... Read more

More stories on this topic

- Triguboff: 'Appreciate unit developers'
- Surfers still in Triguboff's sights
- Billionaire Triguboff pledges to support Ukraine

Topics

Harry Triguboff