



Salta switches focus as housing sector wanes

CONSTRUCTION: Private Melbourne developer Salta Properties is shifting strategy to focus more on office and industrial projects as the city's apartment market weakens.

Despite years of worries about an oversupply of units in inner Melbourne, Salta managing director Sam Tarascio warned that levels of new supply are now dropping fast at the same time as a growing population is looking for rental options.

The developer is also pursuing build-to-rent apartment projects while investor demand for ordinary build-to-sell developments looks subdued.

Among those buyers who are still in the market, Mr Tarascio agreed with recent reports of a flight to quality. A survey from off-the-plan property platform Investorist last week found it had become difficult to sell inferior units of any type.

"What we're seeing in the apartment market in Melbourne is definitely a very soft level of demand, particularly from investors," Mr Tarascio told *The Australian*.

"There is a lot of product being marketed and so it means that those investors who are genuinely in the market really have a lot of options to choose from."

Rising stamp duty levies for foreign buyers, the removal of off-the-plan stamp duty concessions for investors in Victoria and tighter restrictions on bank lending were affecting the cashflow analysis that investors performed, he said, while there was "almost no demand" from Chinese buyers.

"In any tough market the best stock will go first," he said.

"You've seen developers be a bit more inventive with the types of incentives they're prepared to offer."

Over the past year prices had fallen for resales of apartments originally bought off the plan, he said.

Meanwhile, the group has been involved in a stoush over the height of its proposed apartment block at 63 Exhibition Street in the CBD.

Last month VCAT upheld the decision of Planning Minister Richard Wynne to trim the height of the tower from 230m to 195m amid concerns about overshadowing of nearby park Birrarung Marr.

Mr Tarascio said the case was worth pursuing at a higher level but declined to comment further as the matter was set to come before the Supreme Court.

Speaking more broadly, Mr Tarascio said as buyers dropped out of the market, the level of new supply was falling "rapidly".

"The problem is we actually need the supply," he said. With a booming population and already low rental vacancy rates, "we are actually entering into an undersupply situation".

Based on this view, the developer is pursuing build-to-rent apartment projects in the inner suburbs of Richmond and the Docklands.

But he called on government to help make build-to-rent projects more viable. The federal government is facing calls to change the tax treatment of managed investment trusts to spur offshore investment in the nascent sector, while the NSW government announced a build-to-rent project last week.

Although Salta was still forging ahead with residential developments, the group was now investing more of its resources in commercial and industrial projects, he said.

"If you can't sell a project because of the lack of investors in the market you look at where else you can invest your money."

ELIZABETH REDMAN



Sam Tarascio