

FINANCIAL REVIEW

Lendlease plans \$500m development in Sydney's Edgecliff

Lendlease and Mitsubishi Estate Asia have acquired a 1746-square-metre site in Edgecliff, in Sydney's eastern suburbs, on which they plan to develop a \$500 million mixed-use site.

The site at 1 Darling Point Road, for which the firms paid \$132.5 million, has imminent approval for a 46-metre-high project but could go up to 60 metres if it included a 15 per cent affordable housing component, the information memorandum for the sale shows.



How the development at 1 Darling Point Road in Sydney's Edgecliff would look, with the bonus 60-metre height limit for affordable housing.

Lendlease is [under pressure to boost its list of residential projects in Australia](#) as it retreats from overseas operations, especially given that more than half of its existing pipeline is made up of just two projects, [One Sydney Harbour](#) and [One Circular Quay](#).

“It needs to execute a massive sale program across multiple businesses and geographies and restock a development pipeline in Australia which is 57 per cent skewed in two large projects – One Sydney Harbour and One Circular Quay,” JP Morgan analyst Richard Jones said last week.

The two companies acquired the site at the corner of New South Head and Darling Point roads from an entity records show is headed by Anka Property Group directors Vera Boyarsky and her son Andrew. It sits across the road from the Edgecliff Centre shopping centre and Edgecliff train station.

Lendlease declined to comment. It already has a close relationship with large Japanese investor Mitsubishi Estate, which [in 2022 took a two-thirds stake](#) in the One Circular Quay project.

Mr Boyarsky said they decided to sell the site, which will be known by the address 1 Darling Point Road, Edgecliff, after securing the rezoning and being approached by many parties.

“It was a COVID buy for us when we put the site together,” Mr Boyarsky told *The Australian Financial Review* on Sunday.

“The sale’s a great risk-adjusted return for us. It was high benchmark for the value of other holdings in the area, of which we have a few.”

Higher construction and financing costs were making only the premium and luxury projects viable in the current environment, Mr Boyarsky said.

“The cost base is increasing and only projects that can get high prices that can absorb those costs are the only ones that will get off the ground,” he said.

“The government is doing what it can to increase the amount of approvals and with transit oriented developments, but it needs a lot of further improvement to get to a point where the affordability constraints come back.”

Australian Bureau of Statistics figures last week showed [new housing approvals in May fell almost a third short](#) of the 20,800 monthly rate effectively needed to reach national cabinet’s 1.2 million new homes a year, even as they picked up at their fastest rate in six months.

Lower interest rates would allow consumers to borrow more to buy higher-costing homes but a cut in borrowing costs would also ease the financial costs for developers, which would, in turn, lower overall development costs, he said.

“It would also positively affect construction finance costs, which are also elevated,” Mr Boyarsky said.

The sale was managed by CBRE’s Ben Wicks, Stewart Residential’s Ben Stewart and Colliers’ Miron Solomons and Matt Pontey.

Lendlease is going through great upheaval after [investors in May forced the company](#) – which had a market capitalisation of \$11 billion in 2001 but is worth just \$3.9 billion today – to tear up the turnaround strategy chief executive Tony Lombardo set out [in 2021](#) and make more sweeping changes.

The company was quick to announce the [sale of its US construction arm](#). Early last week, the company said it had agreed to sell its US Military Housing business [for \\$480 million](#).

Later in the week, however, the Australian Competition and Consumer Commission hit those turnaround plans when it gave the company and Stockland a two-month deadline to cut one-third of the assets out of their [agreed \\$1.3 billion deal for Stockland to acquire](#) most of the masterplanned community assets of Lendlease.

Concerned by a loss of competition in four key regions – Illawarra in NSW, north-west Perth, Ipswich and Moreton Bay in Queensland – the competition watchdog said the deal must exclude more than one-third of the planned 12 assets or convince the watchdog its concerns about less competition were unfounded.