


ns on the high life go to plan

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As Sydneysiders increasingly embrace strata living, buying prestige apartments has delivered rich rewards for some investors, write Stephen Nicholls and Toby Johnstone.

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The year was 1996 and the Sydney property agent Erle Cramer was selling between 10 and 15 apartments a day off-the-plan in the iconic new apartment tower - the Horizon in Darlinghurst.

Promoter Harry M. Miller and Justin Miller of Sotheby's grabbed a couple each. The late theatre director Richard Wherrett was looking forward to leaving his prized Surry Hills terrace to join the high life in the new Harry Seidler-designed tower that everyone was talking about.

The Kent Street towers - Highgate and Observatory Tower - had led the charge. But with Horizon, the marketing of glamorous new off-the-plan apartments, which began on the Gold Coast in the 1970s, took off in earnest in Sydney.

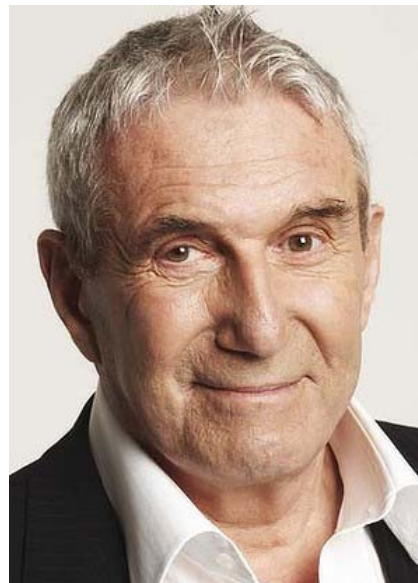
And what's clear from our analysis, using data from the Fairfax-owned Australian Property Monitors, is just how well buyers have fared at six popular Sydney designer apartment blocks depends on a range of factors. Emphasising that buying and selling an off-the-plan apartment can be a lottery, these factors range from the price the developer sets on launch day to the quality of the block, its location and especially timing: at what point in the property cycle the building is offered and when the purchaser buys and sells.

At the time Horizon was launched some buyers simply wanted a new designer home in the sky, while others saw it as a way to make a fast buck.

"There is a new breed of property speculator in Sydney making money buying and selling air," *Herald* property writer Matthew Russell said in July 1996, noting the 100 sales at Horizon in two weeks a month earlier.



In good company: Horizon investors include Baz Luhrmann and Catherine Martin. *Photo: Reuters*



Harry M. Miller. *Photo: Supplied*



Justin Miller. *Photo: Donna Todd*

Chris Johnson, who is now the head of the developer lobby the Urban Taskforce but was then the NSW government architect, said this week that

Horizon continues to be iconic: a building that "dominates" and "calls attention to itself".

Cramer agreed, this week saying that Horizon was something special. "In those days there was a certain euphoria about it because everyone could sense that it was the start of something," he said.

"Anyone who bought in early made money ... they made money before they even settled."

The longest property boom in history was under way. There was a real fear among buyers that unless they jumped on the bandwagon they would miss out.

Both Millers did well.

RP Data shows that Justin Miller paid \$480,150 for a two-bedroom, two-bathroom apartment with parking off the plan that July that he sold for \$595,000 in September the next year - 24 per cent growth isn't bad over 14 months. Two years on, the same apartment fetched \$670,000, in 2002 \$825,000. In 2007 its current owner paid \$915,000. In just over a decade, its market value had almost doubled.

Justin Miller bought the second apartment - a two-bedder with two bedrooms and double parking - in November 1996 for \$595,000 and sold it for \$710,000 two years later, giving 20 per cent growth on his initial outlay. Those buyers sold for \$1.25 million in October 2008 and \$1,575,000 in 2011.

And Harry M? He sold his \$692,500 two-bedroom, two-bathroom apartment with parking for \$1.26 million in 2003, representing a rise of more than 80 per cent in just six years.

Interestingly his buyer made just \$59,000 more than that when the property sold again in 2005.



Richard Wherrett. Photo: Jessica Hromas



Margaret Butler. Photo: Fiona Morris



The building's architect, Harry Seidler. Photo: Ben Rushton

But HarryM. was lucky to double his money on the Horizon three-bedder he bought for \$2.75 million in 1997, when it sold for \$6 million in May 2007. With the onset of the global financial crisis in the years to follow, he wouldn't have got that.

Baz Luhrmann and Catherine Martin - who'd bought their 19th floor two-bedder for \$712,000 in 1997 - managed \$1.3 million when they exited a decade later in May 2007. But when their buyer, homewares importer Margaret Butler, sold five years later - last December - she achieved just \$222,000 more at \$1.52 million.

It just goes to show that timing is key; it's unlikely that either HarryM. or Butler could have seen the global financial crisis clouds gathering at that point: the investment bank Lehman Brothers didn't go bankrupt until September of the following year.

Yet Cramer says the financial crisis would be a factor when looking at the history of sales in Horizon compared with the average apartment sales in Darlinghurst over the period that sales started in 1996 through to the end of last year: its 136 per cent growth is weaker than the average apartment growth in Darlinghurst, which was 239 per cent. Those who chose to stick it out in the Seidler high roller have managed an average annual appreciation of 5.2 per cent.

"A lot of the apartments in there are over \$1 million, so since the GFC that's been the tougher end of the market," Cramer said.

The same can be said for some of the other stylish apartments in the eastern suburbs that followed Horizon, which the "in crowd" rushed to, with many flogging their previous apartment to "step up" to the next must-have building. These included the Engelen Moore-designed Altair, with sales

starting in 1999, and Walsh Bay in 2000.

Long term, taking into account the financial crisis, price growth in Altair has been less than average.

Altair's average growth of 62 per cent over the building's lifetime amounts to an annual appreciation of 3.5 per cent. This compares with an average growth rate of 151 per cent for Rushcutters Bay apartments generally. However, APM data shows that Altair's price growth has accelerated in recent years.

Newington Apartments' 41 per cent is weaker than the suburb's 55 per cent, an appalling appreciation of 2.5 per cent a year.

But there are exceptions. Burley Katon Halliday's Republic 2, with sales starting in 1999, managed 184 per cent - a 14 per cent a year appreciation - compared with Darlinghurst's 92 per cent.

However, with the prestige market recovering, a few high-end sales at the top of the block last year took the average to new heights, helping to explain the anomaly. Walsh Bay also looks relatively good with average growth of 53 per cent over 12 years, compared with the 33 per cent of down-at-heel Dawes Point, but still just 3.3 per cent a year.

Interestingly, it is a block designed by Allen Jack & Cottier in Redfern, completed the same year as Horizon, that rivals its more famous high-rise cousins in terms of price growth.

Moore Park Gardens has notched up an average 123 per cent growth over its lifetime of sales, or an annual appreciation of 5.5 per cent. It also exceeded the average price growth of the suburb - 108 per cent - over the same period.

Despite the fact that it has not been a winner financially, Johnson still rates Newington Apartments highly in terms of design.

Built in 2000 by architects Eeles Trelease in association with HPA Architects and Vote Architects, they won high praise at the time.

So what of the future?

Johnson nominates the rapidly rising Central Park at Broadway as the next "iconic" tower, which he says is impressive because of Patrick Blanc's vertical gardens. He also likes Harold Park at Glebe. "Those buildings up to eight storeys seem to be carrying on the design quality trademark," he says.

And will there be rapid price growth ahead for designer apartments? As strata life is increasingly embraced by Sydneysiders, median price growth for apartments is already exceeding houses. "It's happening for a number of reasons," Johnson says. "Generation X and Y are less interested in suburban living.

"In the next 20 to 30 years, we'll get to 50 per cent of Sydney's households being urban apartments in high-density locations."

He says apart from being relatively affordable compared with a house - because of some of the innovation that groundbreakers such as Horizon and those that followed made - apartments are no longer seen as simply just a cheap alternative.

But will the price growth of the designer apartments of the future reward buyers with better returns than their predecessors? "I don't have a crystal ball, but they certainly could," Cramer speculates, perhaps hopefully.

"More people want to live in apartments than ever before. There's the ageing baby boomers and the Chinese are buying up big time.

"But the reality is there hasn't been another Horizon and there hasn't been another Republic.

"If you pick the right building and the right apartment and the market moves with it you can do well."

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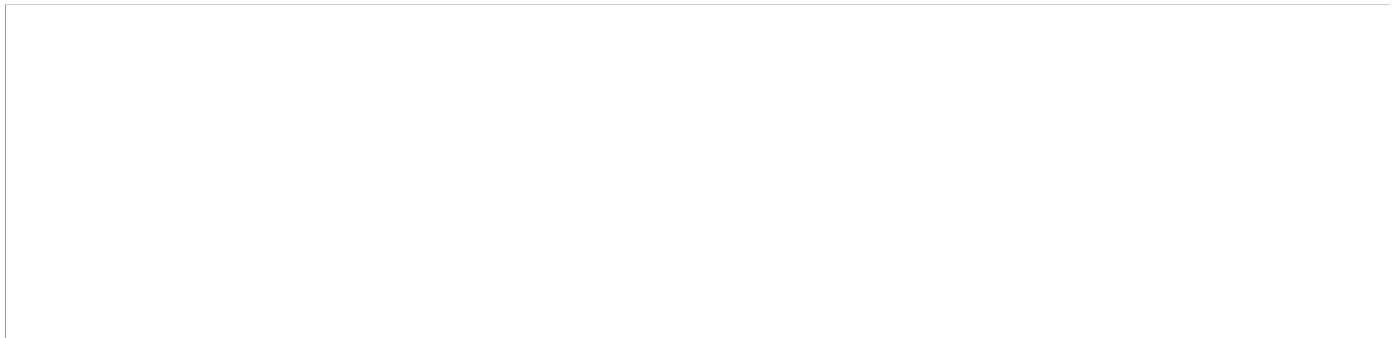
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