

Folkestone strikes land deal

Larry Schlesinger

Listed fund manager and developer Folkestone has formed an exclusive partnership with Melbourne developer ID_Land to jointly develop all of its Victorian residential land interests.

At present this comprises \$380 million worth of projects in the suburbs of Truganina and Officer, but the two groups are keen to identify other opportunities in the land market.

"We see Melbourne's residential land market as the most efficient in Australia. Its urban planning policies are mostly predictable and easy to navigate and the market is strong with a continued positive growth outlook," said Folkestone's head of real estate, Ben Dodwell.

"We like land as an investment class and we also like the capital structure which allows us to purchase sites on a deferred-term basis...and deliver reasonably tight financial returns," he said.

Folkestone, which has about \$1 billion of funds under management, first invested with ID_Land in 2011 to jointly deliver a \$47 million land project in Officer, in Melbourne's outer south-east.

In August, Folkestone created the Truganina Development Fund to acquire an 80 per cent interest in ID_Land's Elements project, a 52.5-hectare master-planned community with an end value of \$300 million.

It also acquired a 50 per cent stake in Potters Northside in Officer, a \$30 million, 144-lot subdivision.



University mates Jeff Garvey, left, and Matt Belford formed ID_Land six years ago.

The first stage of Elements is set to launch this month, with Potters Northside to launch early next year.

Mr Dodwell said the partnership was mutually beneficial. "It provides ID_Land with the opportunity to leverage off our balance sheet, and us to benefit from their development skills and experience," he said.

"ID_Land's focus on the Melbourne market is appealing to Folkestone because we know Melbourne is a very parochial location - you must have an intimate understanding of the market, its different growth corridors and how they operate in order to deliver successful projects.

"These factors mean Melbourne offers us a strong tactical advantage, one that doesn't currently exist in other states."

ID_Land was formed by university mates Matt Belford and Jeff Garvey six years ago. Following careers at Stockland and Mirvac Group, they took a punt on the housing market, despite the global financial crisis, and now have a \$700 million pipeline of projects to run over the next decade.

Mr Belford said ID_Land's sole focus was on the Victorian market, where he and Mr Garvey have acquired 20 years of experience and expertise.

"ID_Land's philosophy involves acquiring land in Melbourne's strongest growth corridors that are close to infrastructure and amenity," Mr Belford said.

"Affordability is critical to Melbourne developers in the long term. If we can keep lot prices at about \$200,000, land will continue to sell."