



Investing
property

DARYL BROWNING

CEO
ISPT

With the retirement savings of more than 40% of Australian workers invested in their properties, ISPT is one of Australia's leading property fund managers. They not only invest however, they also develop projects in both urban and regional areas across industrial, commercial, residential and retail sectors. Their dedication to delivering long-term value drives the development style, with some of the nation's most outstanding recent major projects in their portfolio, including 100 St George's Terrace in Perth, the 2011 Property Council of Australia Property of the Year and Commercial Property of the Year, the multi-award winning 500 Bourke Street, the energy-efficient 3-5 National Circuit Canberra, and the Society Apartments in South Yarra, winner of Best Residential Development 2011 in the Property Council of Australia awards.

As CEO of ISPT, Daryl Browning needs to combine both foresight and experience to steer a profitable course, one which ensures

stakeholders including investors, tenants and builders achieve the best possible outcomes, despite the vagaries of the market. Willow Aliento interviewed Daryl to find out what shapes ISPT's development agenda.

WA What are the main attributes ISPT looks for when considering a new project?

DB The main attributes we look for are commercial viability and the ability to deliver returns in the medium to long term, as we are primarily a developer who invests, not a developer who builds in order to sell.

WA What are the biggest considerations for ensuring long-term value?

DB For long-term returns, we look for design excellence and quality, including quality finishes, and the quality of plant and equipment, also the ability of a development to attract and retain tenants.

WA How can projects be 'future proofed' in terms of minimising the need for retrofitting due to changes to the building code in future?

DB That comes down to design intent and design integrity. Our attitude is, you do it properly the first time, you don't adopt a false economy mentality, which means not keeping too tight a rein on costs at the expense of quality. There also needs to be an eye kept on the substitution of equipment – basically, maintain quality and longevity.

WA How can aiming for high sustainability outcomes contribute to future proofing?

DB It can to a point, but ultimately not everything that's claimed to be sustainable will turn out to be in the long-term. Our experience is that a lot of technology in the 'green' area turns out to be impractical, for example, wind turbines on projects and black water harvesting are relatively new technologies in the built environment. They are often affected by climate and by occupant behavior, and because it takes a long time for people's behavior to change, there may be issues with that.

WA How is risk managed for commercial projects involving considerable outlay?

DB Risk management is a matter of researching the markets, and doing rigorous feasibility studies, including peer group review of proposals, and testing for all kinds of outcomes with design and the commercial aspects. You proceed with your eyes open with risk management, and mitigate for those (identified) risks.

WA What are some of the opportunities for the construction industry and property developers in urban redevelopments?

DB With urban redevelopment, in some ways you have the opportunity to right the wrongs of the past, because development has not been perfect. Most cities and urban areas are evolutionary, rather than revolutionary.

Planners may have had a vision of the outcome, but occupants may prove the plans don't work, and there are examples of 'model' communities that haven't been found to achieve what the planners set out to do. You have to make sure whatever is being developed can be changed and adapted as life changes, because technology doesn't stand still. Those developments that survive and succeed in the residential and commercial sectors are those able to adapt.

WA What are the main planning considerations for greenfields projects such as the residential lots in the Melbourne Urban Growth Corridor?

DB Ultimately it needs a holistic view, not just looking at it as individual estates, but taking a broad ranging view of the whole community and local government area, aspects like the timing of infrastructure, as often the gap is too great between the construction of the residential properties and the development of infrastructure like public transport, leading to over-reliance on cars and the issues associated with that. Places take time to establish themselves and create a sense of community, and a lived-in feel, which includes simple things like the plants need time to grow. This growth period also needs to give retail and commercial centres time to develop the life and scale they need to have to be a commercial success.

WA Why has ISPT chosen to develop such a broad portfolio across sectors (industrial, residential, retail, commercial) and in both urban and regional areas?

DB We have such a broad portfolio because we are targeting the differing risk appetites of our investors. Most of our investors want long-term income-producing retail and office properties, but they also want higher returns, for example those from residential projects. Primarily ours is a diversification strategy, but also being active where the returns can be achieved. There has been a lot of development in residential where returns have been high, especially in Melbourne, for the last five to ten years.

WA As many of the workforce on projects are members of CBUS, one of the investors and board members of ISPT, does this bring a stronger sense of teamwork to the project collaboration?

DB CBUS is one of our many investors, and we like to see, and they like to see, their own money at work. There is a difference, as CBUS Property is also (as an independent entity) a developer who invests, and we are an investor who is developing. We push that it is the broader industry fund money at work on our projects – it's the nurse's money, the teacher's money, the public service money, the media and arts alliance money. We like people to think "I own a piece of the Prime Minister's Office, and the Attorney-General's Office, and Fisheries and Doncaster Shopping Centre". It's a very Australian thing to be able to say.

WA How do you collaborate with your contractors? And which models in your experience (ECI, D&C, Alliance, Construct-only) deliver the most satisfying outcomes?

DB We like to work with companies who deliver what they promise on time, within budget, and to a good quality standard. We like them to bring their smarts to the table, and because we have developed projects under every possible model, at the moment our preference is D&C, because that best balances with our business models.

DB It is very important for us as the holder of properties to make sure the quality and long-term elements are there, it's a slightly different perspective to developers building to sell. We want people to be able to say, about say our residential developments, "That's a good product". And to get that long-term quality, you have to understand what it's designed to do, how it's built and what it's built of. That's the other issue with substitution of plant, we look at every aspect - the operating life, design life, technical back-up and availability of service, because we want to get 20-25 years of returns out of our investments.