THE AUSTRALIAN
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HUGE SAVINGS ON BOTH COSTS AND UNION DISRUPTION

Office repurposing offers 'massive win'

JOSEPH CARBONE

As Brisbane's commercial tenants migrate to shiny new offices constructed as part of the pre-Olympic Games infrastructure boom, opportunities are cropping up to re-use old office buildings for other purposes at a fraction of the cost of a new build.

The practice of adaptive re-use, whereby underused commercial properties are given substantial facelifts to extract more value rather than undertaking a knock-down rebuild, is becoming increasingly popular in Brisbane, where construction costs continue to soar as increasing numbers of people flock to the Sunshine State's capital. A Colliers report released earlier this year suggested re-use could cut construction costs by as much as 25 per cent.

The report forecasts that, for a premium office space construction in the Brisbane CBD of about 31,000sq m, the base cost for a new build would be between $190m and $200m, whereas for adaptive reuse works it would be between $145m and $155m.

The same report indicated, however, that for such projects to be feasible certain conditions must be met. Chief among them are that the original asset's value must fall far enough to embolden redevelopment, and that the building needs to reach full vacancy following redevelopment.

Colliers national director Scott Coakes said re-use works cut down on labour needs generally, plus they avoided the need to involve structural trades, which are typically the most unionised.

"The trades that we have issues with that have very close relationships with unions are generally structured trades – concrete, steel work, form work," he told The Australian. "And they have the ability to very easily slow a job or stop a job. So it really gets rid of structured trades, which is ideal for a developer.

"The structured trades in Queensland at the moment – we don't have enough anyway. They're busy on hospitals or the current high-rises being built.


Coakes

We're at capacity. We're beyond capacity."

Mr Coakes said he expected adaptive reuse to be a key component to Brisbane adding hotel capacity it desperately needs ahead of 2032. "We are very short of hotels in Brisbane, and I think we don't have time or the resources to build them," said Mr Coakes. "Unless a miracle happens, I don't know how we do it any other way. We've got old commercial buildings that aren't performing at their best, and they're probably much better suited to a different asset class."

Key examples of successful re-use in Brisbane are led by 41 George Street, the country's largest office-to-student accommodation conversion, and Ashe Morgan and Peterson's Midtown Centre in the city's CBD. The Midtown Centre redevelopment, led by Hutchinson Builders and tipped to have cost $700m-plus, involved the merging of two unused towers into a 26-storey single commercial building. Hutchies managing director Russell Fryer said the practice was opening up the playbook for commercial property in high-density areas.

"There are more opportunities in our cities than we've traditionally seen," Mr Fryer told The Australian. "There are ageing buildings in good locations with useful structure still in them, and where the economics and the design case stack up, it makes a lot of sense to adapt them rather than start again."

However, he also warned re-use projects could still quickly become expensive adaptations of old buildings to modern standards.

"Savings can very easily be offset by investigation works, structural strengthening, code upgrades and services replacement," he said.

The USA's largest ever office-to-residential development, of the former Pfizer headquarters in New York City, made headlines last week after two supporting columns buckled, putting the building at risk of partial collapse.

Mr Fryer said the incident hadn't changed his company's arithmetic, backing in Australia's strict standards. "It doesn't change the principle for us, because the principle is always the same: investigate properly, understand the asset properly, and only proceed on the basis of sound design and engineering, supported by good information," he said.

Investors line up for rare Airlie Beach buy

LISA ALLEN

Singapore's Well Smart Group has an asking price of about $40m on its Mantra Club Croc Airlie Beach hotel in the Queensland holiday haven.

Located in the heart of the Whitsundays tourism region, Airlie Beach is the mainland gateway to the Whitsundays and continues to benefit from infrastructure investment.

Fronting a 1.29-hectare freehold site on Shute Harbour Road, connecting Airlie Beach with the Whitsunday Coast Airport, the four-star hotel has 159 guestrooms and is being sold vacant possession.

Well Smart Group also owns the 511-room Lindeman Island in the Whitsundays, which it is redeveloping. It has just appointed Marriott's Le Meridien, to operate the long-dormant resort, which is expected to reopen late next year.

Club Croc Airlie Beach agent CBRE Hotels national director Wayne Bunz said there was strong investment demand and a surge of net interstate migration into Queensland. He noted there had been no new hotel supply in Airlie Beach for a decade, adding that average room rates had strongly increased along with revenue per available room (RevPAR).

"Airlie Beach has undergone a fundamental repositioning over the past decade, with occupancy increasing from 55 per cent to 76 per cent and RevPAR more than doubling," Mr Bunz said.

Expressions of interest close on the Club Croc hotel sale in late August. The purchaser of Mantra Club Croc Airlie Beach could reposition, rebrand or implement a new operating model.

Well Smart purchased the hotel in 2016, and the purchase price has not been disclosed.

Further south, agents HTL have just sold the Madison Tower Mill Hotel in the Brisbane CBD for about $28.6m to South Korea's Kim family. Positioned within walking distance of Brisbane's Golden Triangle, 2032 Olympic precincts, Suncorp Stadium and the Roma Street Parklands, the pub, which has 70 refurbished hotel rooms, attracted more than 175 enquiries.

The Kim family also operate Hotel Diana in Woolloongabba. HTL Property Agents' Nic Simarro negotiated the sale.

He said accommodation assets with gaming entitlements remained exceptionally tightly held, and as such were among the rarest opportunities in Australia's hotel investment market.

"The combination of established accommodation income, gaming revenue and the ability to add value through active hotel operations is highly sought after. When assets of this calibre are brought to market, they attract interest from a broad cross-section of buyers," he said.

The Living Co's $20 bn bet on new asset class

STEPHEN KANAVOUTSOS

When Stephen Gaitanos first began thinking about purpose-built student housing in 2013, the opportunity was still hiding between two of the largest forces in the economy. "Education is a huge sector, real estate is a huge sector", Gaitanos says, and those sectors overlapped in the international student market, one of Australia's largest export industries.

From that observation came Scape, and from Scape came The Living Company, the parent company through which Gaitanos and co-founder Craig Carracher are trying to build a much larger living sector real estate business.

Gaitanos describes TLC as the "only fully integrated living platform in Australia, and perhaps the world".

The scale already supports the ambition. The group has about 2300 staff and 40,000 apartments in 117 buildings, valued at $20bn. It has raised about $10bn in equity from the world's largest pension funds and borrowed about $6bn from Australian and international banks eager to support Australia's largest living sector specialist.

Gaitanos describes it as a "meteoric rise", one that is only set to continue, with TLC aiming to own and manage $100bn worth of property.

The rebrand from Scape to TLC last year was not merely aesthetic. TLC reflects a structural change in real estate. Investors increasingly refer to purpose-built student accommodation, build-to-rent, co-living, retirement villages and other residential operating assets as the "living sector". It is the part of property where ownership alone is not enough, the value lies in managing how people live inside the asset. For Gaitanos, "the emphasis is operating at a scale to enable operational intensity".

In traditional property, scale often means buying power, capital and asset aggregation. In the living sector, it also means staffing, service, technology, brand, data and resident experience.

That is the logic behind TLC's move beyond purpose-built student accommodation. In June 2025, Brookfield agreed to sell Aveo to TLC for $3.85bn, in what advisers described as Australia's largest ever direct real estate transaction.

The deal gave TLC a major retirement living platform, with Aveo operating more than 10,000 independent living units across the eastern seaboard. It also confirmed that TLC's ambit was no longer confined to students. TLC now operates across purpose-built student accommodation, co-living, build-to-rent and retirement living. Gaitanos defines their potential market as "anything with a residential for rent angle".

The unifying idea is that much of the operational capability is transferable. Gaitanos estimates that about "80 per cent of the knowledge of property and operational management is transferable" across the different living verticals. A platform that knows how to manage large volumes of residents, maintain buildings, build community, deploy technology and standardise service can apply that capability across multiple forms of housing.

Gaitanos studied law and commerce at the University of NSW before spending almost a decade in real estate investment banking worldwide. The work gave him a sophisticated understanding of capital and property, but also a growing desire to build rather than advise.

Gaitanos's appetite for risk was shaped long before his professional career. He grew up in a Greek immigrant family where education and hard work were constant themes. Gaitanos says his upbringing produced what he calls a "why not mentality", an attitude that risk is not something to be avoided, but something to be worked through to succeed.

For a period, that meant moving back in with his parents at 30, to support the attempt to build something. The same resilience was required during Covid, when the international student market effectively disappeared and Scape's core business was hit directly. TLC's plans to expand into build-to-rent were also delayed. Ultimately, the company survived the shock, and the structural thesis reasserted itself. Students returned and housing shortages have continued to worsen despite repeated government promises.

Gaitanos is careful not to overstate the role of government but is direct about the risks of incongruous regulatory settings. He says there are significant tailwinds for investment in housing, but those tailwinds can be reversed by the "impact of sovereign risk from government policies", with the significant tax changes in the recent federal budget creating such risk. "Capital is agnostic," he says, "in search of the best returns". His warning is that capital must be treated as mobile and if Australia wants global capital to invest in housing here, it must offer a stable framework. That observation goes to the centre of the housing debate. Australia needs more homes, but the homes will not be delivered by government rhetoric alone. Gaitanos argues that "the private sector will be the ones building and ultimately taking the risk".

Stephen Gaitanos with fellow The Living Company co-founder Craig Carracher

> 'The private sector will be the ones building and ultimately taking the risk'
>
> STEPHEN GAITANOS
> THE LIVING CO CO-FOUNDER

This is where Gaitanos sees regulatory barriers, disincentivising superannuation funds from investing in housing. The current disclosure rules means that when super funds invest in direct property, stamp duty and acquisition costs are captured in fee and cost disclosures, making the investment appear more expensive even where the manager is not charging higher fees. ASIC has recently announced changes so that stamp duty paid can be disclosed over seven years, rather than as a single annual amount, and is also reviewing the regulations more broadly. For Gaitanos, the key point is that the system should not discourage long-term Australian capital from investing in long-term Australian housing.

TLC's private ownership model is also conducive to its ambitions. Gaitanos sees the company remaining private, giving it "the flexibility to be nimble beyond quarterly earnings".

He is wary of listing development-heavy businesses, arguing that "development companies shouldn't be listed" due to earnings volatility.

Private ownership gives TLC more room to compound. It also gives the company flexibility for growth at a moment when more assets may come to market.