THE AUSTRALIAN

Billionaire Robin Khuda targets overlooked suburbs for new property venture

By BEN WILMOT

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Robin Khuda, the billionaire founder and chief executive of the AirTrunk data centre operation, is quietly forging into the country's commercial property development market.

But the plays he is making – in his private capacity – couldn't be further from the massive data centre projects which AirTrunk is rolling out across the Asia Pacific.

Instead, he is focused on the smaller end of the market, buying land in often-overlooked outer suburbs and betting that tightening land supply — and the value of the projects he develops — will lift returns in the years ahead.

Mr Khuda has struck a series of under-the-radar site purchases in Sydney and Melbourne, spending about $75m, with more to be outlaid on the projects that will be developed into industrial lots or small-scale commercial holdings.

The billionaire is buying for his new Onterra business, which focuses on picking up under-utilised, land-rich industrial and commercial assets.

Its sister company, Ondas, specialises in luxury residential developments and in June snapped up an apartment site overlooking Sydney's famed Balmoral Beach, where it is planning a high-end complex to rival the area's harbourside mansions.

Ondas also has apartments in Manly and is undertaking a project in Palm Beach on Sydney's Northern Beaches. It is also active in Melbourne's beachside St Kilda.

While the entrepreneur knows up-market property development well, the relatively nondescript but land-rich sites he is buying in these suburbs are poised to take off — and could prove highly lucrative.

Onterra's initial purchases include 221 Bringelly Road, Leppington, in Sydney's sprawling southwestern suburbs. The Leppington site was sold by Isaac Property Developments and could become a space for a car wash, gym or childcare.

It also picked up 634–636 Wellington Road in Mulgrave in Melbourne's eastern suburbs. The site has flexible mixed-use zoning and could be turned into a commercial property.

Onterra also bought 20-42 Simcock Ave in Spotswood in Melbourne's inner west. The site beside the West Gate Freeway in Spotswood is a more substantial industrial holding leased to Toll Group, while also being a promising logistics site.

Mr Khuda picked up these unfashionable properties, partly as they are at a level that is too small for most institutions, and also because the private developers who compete at this range are pressed for finance amid a still tough environment for lending and building.

Onterra has been negotiating and buying throughout the year, with its main targets properties that can be developed as the cycle improves. Mr Khuda is yet to indicate whether he will retain the assets he builds, or if he will sell them and use the proceeds for more small-scale private plays.

While the first batch of acquisitions are in relatively unfashionable suburbs in Sydney and Melbourne, they are all benefiting from better transport links and are considered infill destinations for logistics property.

The move is separate from the mega-developments that Mr Khuda is leading in the data centre space. AirTrunk, with the backing of private equity company Blackstone and offshore group the Canada Pension Plan Investment Board, after the pair bought the business for $24bn last year, is looking to roll out new centres.

As part of that deal, Mr Khuda remained as chief executive and has kept a stake in the company. He has become an advocate for the sector, arguing that more large-

scale centres must be developed in order to keep Australia in the global race to capitalise on the AI revolution.

Developers are pressing up against constraints imposed by both the national power grid and multi-layered planning regimes, although states are making efforts to fast-track data centres.

Other tycoons often have a sideline in property development, but it is more often a function of their main operations.

Billionaire Gerry Harvey is active in retail property and the listed Harvey Norman owns a substantial portfolio, while Sam Arnaout's pub and hotel empire is connected to his apartments business.

But Mr Khuda's property interests are separate from his primary data centre business and gives him the chance to both diversify and develop sites as opportunities come up. Market players noted he had the ability to move quickly, which helped him win deals.



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Ben Wilmot has been The Australian's commercial property editor since 2013. He was previously a property journalist with the Australian Financial Review.

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