

Jan to Jun 1954

Erwin Graf's lasting legacy

Robert Harley

Erwin Graf, the man who founded the \$3.6 billion Stockland Trust Group 50 years ago, died suddenly on the Gold Coast on Saturday.

With his death Australia loses another link with the extraordinary generation of immigrant entrepreneurs who reshaped the nation's property industry.

But in the boom-bust property industry, few have had such an impact over such a length of time as the 77-year-old Mr Graf.

Having trained as an architect in Hungary, Mr Graf slipped across the Iron Curtain after the war and when Australia refused to accept him as an architect, reapplied as a bricklayer.

In 1952, with limited funding from brothers Albert Scheinberg and John Hammond, he started work managing the subdivision of a poultry farm into 19 fibro houses.

Six years later he went public by converting the smallest company on the stockmarket into the £6,000 Stocks & Holdings.

In housing, Mr Graf pioneered the now standard raft slab construction.

Then he moved on to shopping centres – a Wollongong centre incorporated a motel – and then onto high-rise apartments like Picadilly Gardens in 1962, and into city development like the Imperial Arcade.

In 1980 he pioneered the

internally-managed listed investment and development vehicle which found its time 15 years later and is now so widely emulated.

Mr Graf survived the downturn following the Korean War, the credit squeeze of 1961, and the early 1990s but it was the collapse of the mid-1970s that made the most impact.

When interviewed by *The Australian Financial Review* in 2000 he remembered it with clarity, even down to the day on which he locked in his interest rates.

In 1992, on the group's 40th anniversary and with the industry on its knees, Graf told shareholders that part of the group's secret was "the ability to anticipate economic changes, to show constraint during the recurring boom conditions and to utilise the opportunities which present themselves during recessionary periods to lay the foundations for future growth".

Graf declined to create a property dynasty and stepped down from Stockland at the AGM in 2000.

Ray Wagner, the deputy chairman of the Australian Shareholders Association, rarely praises directors but at that meeting he made an exception.

"He has been a good listener," said Mr Wagner. "It's a great pity that there are not more Erwin Grafs out there with his concern for the shareholder."

Another long-term shareholder pointed to the difference between



Stockland's Graf . . . respected by competitors and investors alike.

Photo: PAUL JONES

Mr Graf, who took home \$120,000 in his last year as executive chairman, and the present generation of highly paid chief executives.

"He's reasonable, he's not hungry," he said.

The current Stockland chairman, Peter Daly, worked with Mr Graf for 30 years.

"He was a person who had the most intellectually sharp mind I have ever met and one who had a profound influence on me over many years."

Mr Graf is survived by his wife Kitty and three children. The funeral is at the Chevra Kadisha Memorial Hall at 1.00 pm today.

Multiplex's heady brew

Multiplex has been appointed to build Melbourne's \$240 million Tribeca development on the historic Victoria Brewery site. The project being developed by R Corporation, Red C and Babcock and Brown will feature 431 apartments across eight buildings as well as a pool, gym, gourmet stores, cafes and restaurants. Construction is scheduled to begin in September with completion in late 2004. **Brett Foley**

Village to go ahead

Community care organisation Southern Cross Care is to launch a commercial retirement village on a 4.7 hectare site in Bedford Street, Box Hill. Southern Cross Care – a not-for-profit organisation – bought the Melbourne site from the Franciscan Order of Friars Minor in mid-2001 for \$6.8 million and plans a \$26 million, 149-dwelling village. Southern Cross lodged a planning application for the facility in August last year. **Brett Foley**

Investa's bullish payout

The Investa Property Group has announced a June quarter distribution of 3.725¢ per security, payable on August 23. The bullish group also flagged that increased distributions had been budgeted to occur in 2002-03. **Kathy Mac Dermott**

Floor goes through roof

A strata-titled office floor in Melbourne's legal precinct was sold for \$790,000 last week. The 385 sq m floor on the second level of Bourke Chambers at 405 Little Bourke Street reflected a strong rate of \$2,052 per sq m. The floor, which was sold by agents Kliger Wood, was purchased by Lovegrove Solicitors, which specialises in construction and commercial law. The floor, including

US housing boom's patchy progress

Kathleen M. Howley

The US housing boom has passed by Robert and Judy White as they near retirement.

The couple last month sold their three-bedroom colonial-style home in Akron, Ohio, for \$US144,700 (\$260,000), or 4 per cent less than they paid last year. The house sold after being on the market for four months and the asking price was cut twice from \$US153,900.

The loss stung, considering the median US home price rose an average of 8 per cent in the first three months of 2002 compared to a year earlier, the biggest quarterly increase in 15 years, according to the National Association of Realtors.

The Whites, who moved to a \$US180,000 house on the outskirts of Akron, have lots of company. Excluding markets like New York, Washington DC and Los Angeles where median prices rose from 18 per cent to 21 per cent, the median home price in 97 of the 118 markets tracked by a real estate trade group rose an average of 3 per cent in the quarter ended March 31. That shows the rising wealth of US homeowners may not be reaching all areas.

"Overall the market is going great, but some areas are still suffering from the downturn," said John Kilpatrick, an economist with Mundy Associates LLC, a real estate research company in Seattle.

In Akron, where unemployment hit an eight-year high of 6.1 per cent in the first quarter, the median house price fell 6 per cent. That was a bit better than the worst market, Beaumont/Port Arthur, Texas, where prices tumbled 8 per cent. Peoria fell 7 per cent, while Spring-



House prices increased 21 per cent in the suburbs of New York but fell 8 per cent in Port Arthur, Texas.

Photo: VIRGINIA STAR

field, Missouri, dropped 6 per cent. "At our sales meetings we're talking about price reductions — a lot of price reductions," said David Gall, a broker with RE/MAX Results in Fort Wayne, Indiana, where the median price fell 2 per cent to \$US89,900.

The losses contrast with the suburbs of New York, where the median rose 21 per cent, Washington, where it grew by 20 per cent, and Los Angeles, up 18 per cent.

Markets with big gains often have tough anti-development regulations or geographic boundaries that limit new supply, said analysts. Those markets led the 8 per cent national increase, exceeding income growth which was 2.9 per cent in the 12

months ended March 31. That is fueling speculation that housing is in a bubble market.

"You can't sustain a 10 or 15 per cent growth rate for a long time," said Howard Smith, a real estate broker in Amarillo, Texas, where home prices are down 3 per cent.

The National Association of Realtors this week said it expects home sales for the year to set a record of 6.41 million houses, up 3.2 per cent from the previous high of 6.21 million in 2001. It predicted that the increase in the median price would slow to 5.5 per cent.

Housing is watched closely because it affects everything from furniture to lumber sales. In 2001, it was responsible for 61 per cent of

the growth in the US gross domestic product, according to the NAR.

A slowing economy doesn't mean housing is automatically hurt, economists say. In the recession of the early 1990s, which some economists blamed on over-inflated real estate values, home prices continued to rise on a national basis.

"Nationally, we've always seen advances of the median price, even if some areas are flat or negative," said David Lereah, chief economist for the Washington-based NAR.

The main reason behind the price declines, said Mr Lereah and Mr Kilpatrick, is a drop in the number of people buying houses, brought on by rising unemployment.

Sales are still streets ahead

The US housing boom may have bypassed Akron, Ohio, but the overall numbers are very strong.

Sales of new homes stayed close to an all-time high in June and resales of previously owned houses maintained a rate that will probably mean a record year for the real estate industry, according to reports due out this week.

"America wants to own a home," said Stuart Miller, chief executive of Lennar Corp, the leading US builder by sales volume last year.

Some 980,000 new homes were sold at an annual rate in June, say economists, forecasting figures in the Commerce Department's report, out on Thursday. That compares with a record rate of 1.028 million a month earlier.

The National Association of Realtors will probably report that previously owned homes sold in June at a 5.75 million annual rate, the same as in May, economists said. The group expects this year's home sales to pass the 2001 record of 5.3 million. New homes account for 15 per cent of all house purchases. Previously owned homes account for the rest.

New homes have been selling for about \$US183,520 this year, up from a median of \$US172,610 in 2001. Federal Reserve chairman Alan Greenspan told legislators last week that there's "no evidence of a national bubble in home values".