The Sydney Morning Herald

SE Commercial realestate

HD **The market's thirst for pubs**

BY Carolyn Cummins
WC 597 words
PD 13 September 2014
SN The Sydney Morning Herald
SC SMHH
ED First
PG 35
LA English

LP

More than $1 billion of pubs have changed hands in the past few weeks, boosted by the sale of Woolworths'-owned ALH portfolio of 54 to Charter Hall.

The latest to hit the market is the Grand Hotel at Rockdale, with an estimated value of $27 million.

TD

JLL hotels & hospitality group's Sam Handy and John Musca will steer the campaign and said the Grand Hotel represented one of the most anticipated Sydney gaming pub sales over the last five years. Mr Handy said a review of the June quarter top 200 ranking demonstrates that 80 per cent of Sydney's top 50 gaming pubs are owned by gaming pub portfolio owners or are in corporate or institutional hands with neither segment having any real propensity to sell down any of their pub assets.

"There is a diminishing availability of top 50 gaming pubs in private hands across Sydney for acquisition and the Grand Hotel has the irreplaceable locational business drivers that astute publicans will recognise as core to the very best gaming hotels in Sydney," Mr Musca said.

Of the sales, so far this year, the biggest was the Mona Vale and Northies deal to the Laundy family and Fraser Short consortium, by Andrew Jolliffe of Ray White and Mike Wheatley of Knight Frank, for a combined $57 million.

JLL Hotels & Hospitality group has also sold the Vegas Hotel in Blacktown for $25.12 million and the Palms Hotel in Chullora, for $22.5 million. They are also selling the Hotel Bondi.

Before the global financial crisis, investors could not get enough of pubs. Surely, just opening the doors, turning on the beer taps and installing lots of poker machines, meant ker-ching of the cash registers. Indeed, that was the case for a number of years. Never mind that the food was ordinary and the bar was filled with locals. The gaming area and big screen TV to show the races and the odd sporting event paid the bills.

But as tastes shifted towards demand for better food and less gaming, triggered in part by taxes on gaming machines and no-smoking laws, the old-style publican decided to opt out instead of upgrade.

Enter the cashed-up investor. This was at a time when interest rates were lower and banks were willing to lend.

Teams of small to medium self-managed super funds, consortiums and keen investors, ploughed into the sector like it was money for jam.

These new investors snapped up premises in the country and city at inflated prices, spent even more on fit-outs and offered upmarket wines and chefs!

Established pub barons were happy sellers, knowing that one day they could buy the pub back at half the price. They'd seen it all before. That not only ostracised the loyal locals, but sent costs through the roof.

To pay for it all, the pubs were **sold**, then re-**sold** at unheard and unsustainable prices.

Over-capitalised premises became the norm. And, as always happens, the cost of borrowings started to climb.

But now the publicans have returned. Despite the very fragmented industry, of the top 20 pubs across greater Sydney, most are held by families or long-term operators. The most active pub families are the Laundys; the Shorts - of which Martin and sister Paris Ballantyne just relaunched the Royal at Leichhardt; the Bayfields; the Maloneys; the Savage **Group** and the McHugh, Green and Ryan families, among others.

ccummins@fairfaxmedia.com.au

CO lasp : JLL

IN i662 : Bars/Public Houses | i97912 : Gambling Industries | i66 : Hotels/Restaurants | ilea : Leisure/Arts/Hospitality | i85 : Real Estate Transactions | icre : Real Estate/Construction | ireest : Real Estate

RE austr : Australia | nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document SMHH000020140912ea9d00038

