

The Sydney Morning Herald

SE **Commercial** realestate
HD **Toast to bounteous year**
BY Carolyn Cummins COMMERCIAL **PROPERTY** EDITOR
WC 724 words
PD 1 February 2014
SN The Sydney Morning Herald
SC SMHH
ED First
PG 36
LA English
CY © 2014 Copyright John Fairfax Holdings Limited.

LP

A new round of sales and potential new floats will dominate the pub sector in the coming year, with more than \$50 million having changed hands in the past two months.

Private investor Anthony Medich paid \$6 million for the Centennial **Hotel** at 88 Oxford Street, Woollahra, from Cos Psaltis, and it is expected there will be a newly launched restaurant joint-venture at the pub with celebrity chef Justin North.

TD

Two of the biggest sales this year, yet to be finalised, were by Coles of The Palms at Chullora for \$22.5 million to Iris Capital and the Long Jetty at Wyong to private investor Peter McDougal for \$4.9 million.

In November, Coles put the assets on the market as part of its continued non-core pub divestment.

The potential float of the Australian Pub Fund is still to be finalised.

The sales come as the NSW pub sector works through the new late-night closing regulations introduced by NSW Premier Barry O'Farrell. Pub investors say most hotels will be immune, because most have midnight closing times. Only those with 3am closings will be affected.

Other recent sales by Jones Lang LaSalle Hotels pub investment sales director John Musca and associate Sam Handy include the Lansdowne **Hotel**, Chippendale, for \$6.2 million to the owner of the Oscars Hotels chain, and Triple 888 **Hotel, Chinatown**, for \$10 million to a private **chinese** investor.

Late last year the Jacksons on George **Hotel** in the city was bought for \$23 million by developer Lend Lease, while the Lantern **Hotel Group** bought the Crown **Hotel**, Surry Hills for \$15.5 million.

Mr Musca said he was not surprised to see a rush of **hotel transaction** activity in the last half of 2013 as recognition of the differential between **hotel** earnings and the cash rate inevitably transcended market investment malaise.

"The movement of the equity markets towards yield will preface interest in larger suburban hotels, where earnings histories are transparent, barriers to entry highest and growth manifestly evident," he said.

Andrew Jolliffe, managing director of Ray White Hotels Australia, said he had spoken to a number of major lenders during the past week and all were pragmatic about the likely impacts of the proposed legislative amendments.

"Fundamentally, hotels are well positioned businesses with both loan-to-value ratios and interest cover ratios in better than good working order," he said.

"Few industries are as resilient as the **hotel** industry."

Mr Jolliffe **sold** the Plumpton **Hotel** for about \$20 million last year and the Ray White Hotels Darwin office recently **sold** two **hotel** assets, with Woolworths **hotel** arm Australian Leisure and Hospitality rumoured to be the buyer.

"Darwin and the Northern Territory are emerging markets and hence key strategic objectives for our national business," Mr Jolliffe said.

A new deal on the market is the Carrington **Hotel** at 563 Bourke Street, in Surry Hills, being **sold** by the private **group** of investor Greg Magree, Drink'n'Dine.

The inner-city venue forms part of Drink'n'Dine's pub portfolio, which includes the renowned Forresters and Norfolk hotels.

Dan Dragicevich and Joel Fisher, of CBRE Hotels, who have been appointed to sell the venue, said the **sale** was in line with Drink'n'Dine's expansion strategy.

"Having entered the industry initially with the 2009 **purchase** of the Norfolk **Hotel**, Drink'n'Dine has expanded rapidly, adding to its stable of five venues with the recent reopening of the Oxford **Hotel** in Petersham," Mr Dragicevich said.

The **sale** marked the first time Drink'n'Dine had **sold** one of its venues, and the divestment would free the **group** up for further expansion.

Drink'n'Dine co-founder Jaime Wirth said the decision to sell was bittersweet. "It's difficult parting with any of our venues, but we have decided that streamlining the **group** is best for the immediate future."

Mr Fisher said the **sale** came after a watershed year in 2013 for the pub market, where yields had sharpened considerably and sales activity had continued to grow.

"There is a resounding appetite from current players, as well as new entrants for quality metro assets. This can be directly attributed to continued low rates and a lack of stock available," he said.

CO iriscm : Iris Capital Management | ozpubz : Australian Pub Fund | colsgj : Coles Group Ltd | wsfrm : Wesfarmers Ltd

IN i6651 : Hotels (except Casino)/Motels | i662 : Bars/Public Houses | i85 : Real Estate Transactions | i66 : Hotels/Restaurants | i665 : Lodgings | icre : Real Estate/Construction | ilea : Leisure/Arts/Hospitality | ireest : Real Estate | itourm : Tourism | i64 : Retail/Wholesale | i656 : Mixed Retailing | i6560002 : Department Stores | i81502 : Trusts/Funds/Financial Vehicles | i8150203 : Private Equity | i8150206 : Investment Trusts/Funds | i815020602 : Real Estate Investment Trusts | ialtin : Alternative Investments | ifinal : Financial Services | iinv : Investing/Securities | iretail : Retail | iventure : Venture Capital

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document SMHH000020140131ea210005m