

FINANCIAL REVIEW

SE **Property**
HD **Chinese** investor pays \$11m for the Kirketon
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WC 517 words
PD 13 May 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 36
LA English
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A **Chinese** private investor has swooped on the Kirketon **Hotel** in Sydney for \$11.3 million, demonstrating the substantial offshore interest in **hotel** opportunities.

Asian investors are actively seeking **commercial property** assets, thanks to the lower dollar and low interest rates. **Hotel** investments are a strong lure, in part because of the sector's typical long leases.

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Located on Darlinghurst Road, the iconic Kirketon **Hotel**, which is leased to 8Hotels, **sold** on a yield of 8.2 per cent.

The deal, negotiated by Knight Frank's Dominic Ong and Andy Hu, was an off-market **purchase**.

"There are a lot of investors looking for **hotel** opportunities but there is not a lot on offer," Mr Hu said.

The asset is a freestanding three-level building with 1720 square metres of space, including a cocktail bar and Asian restaurant.

8Hotels, which operates boutique hotels around the world, has a seven-year lease at the Kirketon **Hotel**, expiring in 2016 with one seven-year option.

The buyer will take on and run the **hotel** business if 8Hotels decides not to take up its option, and the building can keep its name.

Knight Frank's Mr Ong said that while Asian investors tend to focus on assets in the CBD market, an increasing number of investors have been moving away, mainly because of the lack of assets. He said they were now looking for fringe CBD assets such as The Kirketon.

The Kirketon **purchase** follows hot on the heels of the biggest **hotel** deal of the year so far.

Listed Singapore **property group** Frasers Centrepoint, owned by Thai billionaire Charoen Sirivadhanabhakdi, finalised the **purchase** of the Sofitel Sydney Wentworth over the weekend for \$202.7 million – flagged last week by The Australian Financial Review. The **sale** was brokered by McVay Real **Estate** and JLL's Hotels & Hospitality **Group**.

Sofitel Sydney Wentworth is in Phillip Street, in the financial heart of the city and close to the Sydney Opera House, Circular Quay, The Rocks and the Royal Botanic Gardens.

Elsewhere another Singaporean **group** bought an office block in North Sydney, which has approval for more than 200 **hotel** rooms, for \$12.5 million.

Karen Wales, a research executive at JLL Hotels & Hospitality, said **hotel** groups were differentiating their offerings in a more crowded marketplace.

She said operators such as Ascott **Group** and Frasers were expanding into the serviced **apartment** market, which offers greater segmentation across luxury, upscale and midscale markets and appealed to institutional investors.

Groups such as the InterContinental Hotels **Group** (IHG) and Accor were expanding into the sub-budget market through their Holiday Inn Express and Ibis Budget offerings, which appeal to operators and investors.

Figures compiled by JLL show that the pipeline of new hotels in Australia is at a decade high.

There are 50 new projects proposed or under development across the country, with a value of about \$6 billion. Brisbane has the largest pipeline, with 14 projects (1702 rooms) due to be completed by 2016, followed by Perth, Darwin and Canberra.

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