

The Sydney Morning Herald

SE Commercial realestate

HD Pub sales hit \$250m mark

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WC 709 words

PD 14 November 2015

SN Sydney Morning Herald

SC SMHH

ED First

PG 40

LA English

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LP Another round of pub sales will tip the number well over the \$250 million mark in a year that has seen traditional operators return to the sector.

However, such is the interest in the sector, investment advisers Moelis & Co have teamed up with the Nelson Meers Hotel Group to buy pubs to seed a new fund. There are suggestions they are looking at the Recape portfolio.

TD "We are currently in advanced negotiations to acquire the [unspecified] portfolio and, assuming we successfully conclude these negotiations, we would look to settle the acquisition prior to 31 December 2015," Andrew Martin, managing director of Moelis Australia Asset Management said.

"It is then our intention to list the portfolio on the ASX in early 2016."

This year's sales comes amid a reshuffle of the pub sector, where demand is gaining traction for suburban hotels that are not affected by the city lockout laws that stop alcohol being served after 1.30 in the morning.

Last year, to counteract violence, 1.30am lockouts and 3am last-drinks laws were imposed on pubs across the new Sydney CBD Entertainment Precinct, which stretches from parts of Surry Hills and Darlinghurst to The Rocks, and from Kings Cross to Cockle Bay.

This has resulted in significant sales of pubs as buyers exit city properties and head to the suburbs. One of the busiest has been pub tsar Justin Hemmes, who is looking to open a series of new bars around the suburbs.

This interest continues unabated with \$50 million worth of transactions completed this week.

Agents said it was a different, more sophisticated investor coming into the pub sector than during the last rush, from about 2005 until the global financial crisis.

The current spending spree is from cashed-up investors at a time when the lending institutions remain very conservative. Ten years ago, the banks lent more freely and the buyers were not experienced publicans.

Jones Lang LaSalle Hotels & Hospitality Group, in conjunction with CBRE Hotels, have sold the Oxford Hotel, Drummoyne for \$34 million in the second largest gaming hotel transaction of the year. The venue recently underwent a \$4 million renovation with the sale including an adjacent retail property.

It was sold by the private Iris Capital Group to the private operators Michael Wiggins and Joanne Cassar, who will help fund it through the sale of their pub, the Royal Exhibition, Surry Hills, for about \$19 million.

JLL national director John Musca said the Oxford Hotel sale was another example of a long line of more than \$200 million of Top 150 ranked gaming hotels that his group have transacted this year at a pricing level that reflects asset supply constraints, and earnings growth, more so than yield compression.

The Oxford Hotel was keenly sought as it occupies a combined 974-square-metre site area with future height development potential and the scope for a rooftop bar with extensive city views.

"Iris are having a busy year having recently divested their interests in the Crest Hotel, Kings Cross and the Crown Hotel Parramatta, for a reported \$170 million to Chinese development group Greenland, who have just commenced sale programs for the residential redevelopments," Mr Musca said.

CBRE Hotels national director Daniel Dragicevich said the the Oxford Hotel is a true [AAA](#) grade diversified hotel and the result achieved reflects the scarcity of such quality assets in the Sydney metro market.

"The market has again experienced a year of high asset turnover and sales activity as the spread between capitalisation and borrowing rates remains attractive to both existing participants and new entrants into the pubs sector," Mr Dragicevich said.

In addition, JLL advised on the sale of the Royal Exhibition Hotel in Surry Hills.

"We have handled very few sale campaigns that have attracted the level of interest that the Royal Exhibition did with some 13 inspections, ultimately emanating from its strategic position opposite Central Station and on the proposed new light rail route," Mr Musca said.

"The broad range of bidders recognised the outstanding underlying property and the sought-after Surry Hills trading environment, which is very much an investment hot spot for hoteliers presently."

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AN Document SMHH000020151113ebbe0005y

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