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Landmark Melbourne hotels sold under the hammer

Melbourne, VIC (24 June 2009)

Three landmark Melbourne pubs leased to the 75% Woolworths-owned Australian Leisure & Hospitality Group (ALH) were today sold under the hammer for a combined price of just over \$16 million in deals which reflect the continued strength of the hotel investment market.

The sales follow the successful auction last week of two Sydney pubs, also leased to ALH, which achieved a combined sale price of \$11.75 million.

Scott Callow and Joel Fisher, of CBRE Hotels, jointly marketed the five-strong hotel portfolio with Raoul Holderhead and Dean Venturato of Burgess Rawson.

Mr Callow said today's auction of The Elsternwick, Elwood; the Rose Shamrock & Thistle, Reservoir; and the Rifle Club Hotel, Williamstown had attracted competitive bidding, driving the sale yields as low as 5.05%.

"The strength in the hotel investment market has been proven by today's result with a number of private parties bidding feverishly," Mr Callow said.

"Quality assets are continuing to attract strong interest, give the lack of prime hotels available in the current market."

The Elsternwick Hotel achieved the strongest sale price of \$6.225 million, reflecting a yield of 5.05%. The Rose Shamrock & Thistle was sold for \$4.81 million (a yield of 5.48%), while the Rifle Club achieved a price of \$5.02 million (a yield of 5.81%).

Mr Callow said the strength of the ALH lease covenant had underpinned buyer interest in the portfolio.

"In the current low interest rate environment we are fielding strong investor demand for well positioned commercial properties with strong investment fundamentals," Mr Callow said.

"In this instance, investors were given the opportunity to buy well established, highly successful hotels which provide long term, CPI indexed rental cash flows backed by Australia's largest hotel operator. As a further bonus, the ALH business is 75% owned by Woolworths, Australia's leading retailer. ALH operate more than 275 licensed venues and over 450 retail liquor outlets across Australia. The business has - and continues to be - one of Woolworths stronger performing divisions."

The Melbourne properties were sold with 19 years remaining on leases to ALH, with options to renew for a further four, 10-year terms. The leases are Triple Net and include yearly CPI rent adjustments and a market rent review in 2018, offering the new owners a secure and unusually long term revenue stream.

Raoul Holderhead of Burgess Rawson said; "The long term leases and the blue chip tenancy covenants set these assets apart from any recent hotel offerings, with the opportunity to purchase a long term cash flow linked annually to CPI, backed by one of Australia's largest companies not often seen in the hotel market."

Mr Holderhead said the Elsternwick Hotel had attracted particularly strong investor interest. The landmark property was originally developed in 1854 at the gateway to Melbourne's premium south eastern Bayside suburbs. It provides a net rental income of \$314,321 per annum.

"All three Melbourne properties are long established and successful businesses," Mr Holderhead said.

"There is a flight to quality in the current market and we are fielding strong demand for assets in this price range which offer highly secure income streams and quality lease covenants."

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