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National Leisure and Gaming capitalises on continued demand for prime hotel leaseholds

Sydney, NSW (25 June 2009)

Leading hotel operator National Leisure and Gaming (NLG) has sold the leasehold interests in two Queensland assets for a combined total of \$12.5 million.

CBRE Hotels Director Joel Fisher negotiated the sales of the leasehold interests in Magnums at Airlie Beach and The Blue Pacific Hotel on Bribie Island in deals which reflect the strengthening investor demand for prime hotel assets.

Both interests were acquired by the 75% Woolworths-owned Australian Leisure & Hospitality Group (ALH), which operates more than 280 licensed venues and over 450 retail liquor outlets across Australia.

NLG Chief Executive Andrew Jolliffe said the sales represented a positive outcome in what continued to be an unpredictable marketplace.

"NLG continues to actively review its portfolio of assets with the view that wherever non-performing or non strategic assets can be divested at financially accretive levels, they will be," Mr Jolliffe said.

"The sale of these two assets highlights a meaningful - if protracted - return of investor confidence in the hotel sector. We expect these deals to set a benchmark in regard to the value of premium leasehold values given that they represent arguably the most reliable case of 'willing buyer, willing seller' in the leasehold market for some time."

CBRE's Mr Fisher said the off market sales campaign had attracted considerable interest, which he attributed to the premium locations combined with strong revenue streams of both of the NLG leaseholds.

Mr Fisher said historically low interest rates and attractive investment yields were rekindling buyer interest in the pubs sector after a lacklustre 2008, during which investment activity had been limited on both a local and national basis.

“As interest rate pressures ease and pub revenues continue to improve post the 2007 introduction of smoking bans across the country, money is starting to flow back into the pub sector, which has traditionally performed well in adverse economic climates,” Mr Fisher said.

Magnums is situated in the heart of the Whitsunday resort town of Airlie Beach. The Shute Harbour Road property comprises five bar areas and a nightclub, which are leased for 20 years with a series of five year options.

The Blue Pacific is another resort venue, which is situated on Bribie Island, 70 kilometres north of the Brisbane CBD. The venue includes a bistro and gaming area, which are leased for 25 years with a series of five year options.

Mr Jolliffe said it was envisaged that the net proceeds from the sales of the two assets would be largely - but not exclusively - used to repatriate debt.

“One constant in this environment has been the support NLG has received from its lenders as highlighted by the group’s recent debt extensions to July 31, 2010 and the provision of funding for capital works designed to unlock the inherent potential contained within the NLG portfolio,” Mr Jolliffe said.

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