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Sales signal renewed appetite for NSW pub deals

Sydney, NSW (22 June 2010)

The pub investment market in NSW is showing signs of a resurgence following a series of recent sales.

In recent weeks, CBRE Hotels has negotiated five separate pub sales in deals totaling more than \$20 million.

An additional \$21 million in sales have been agreed, amid signs that buyers are showing a renewed appetite for well positioned hotel investment opportunities.

CBRE Hotels Director Joel Fisher said existing publicans were driving the market revival, with the recent purchases involving well known hoteliers such as Patrick Gallagher (owner of PJ Gallagher's in Drummoyne and Parramatta and the Union Hotel in North Sydney) and fifth-generation hotelier William Ryan, the former owner of the Cauliflower Hotel at Waterloo.

"While institutional owners are slowly returning to the sector, traditional pub owners and hoteliers are back in force," Mr Fisher said.

"The changed hotel gaming tax arrangements recently announced in the NSW budget have given hotel buyers more certainty and are contributing to a much more optimistic outlook for the state's pub sector."

In one of the larger recent deals, ING Entertainment Fund has sold the Empire Hotel at Annandale for \$4.9 million. The inner western Sydney hotel is operated by the Feros Group under a long-time lease agreement. It has been purchased by the D'Agostino family, owner of the Bridge Hotel at Nowra.

Other pubs to change hands includes the Norfolk Hotel at Surry Hills for a price rumored to be close to \$3 million, the re-developed Harold Park Hotel at Forest Lodge (\$2.95 million) and the leasehold of the St Patrick's Tavern in the Sydney CBD (\$2.9 million).

Said Mr Fisher; "The sales highlight the willingness of purchasers to purchase non distressed as long as conditions are right."

The recently renovated Harold Park Hotel has been purchased by William Ryan ahead of the imminent redevelopment of the adjoining Harold Park Paceway site.

High profile publican Patrick Gallagher has also been on the acquisition trail with his purchase of the St Patrick's Tavern leasehold from the Melbourne-based Aussie Leisure Group, owner of the Tea Gardens Hotel at Bondi Junction.

The gaming-based St Patrick's hotel is located at 66 King Street in the heart of the CBD. The sale includes the hotelier's licence and 30 poker machine entitlements.

Mr Fisher said the increased hotel sales activity coincided with the recent budget gaming tax rate revisions. The changed arrangements include a \$200,000 tax-free threshold on poker machine revenue which will result in around 60 per cent of NSW hotels with gaming machines paying less or no tax.

"The June budget announcement with regard to poker machine taxation has been met with optimism by those in the pub sector," Mr Fisher said.

"The revision should encourage newcomers to the industry as the fairer conditions will benefit smaller and regional hotels and pubs. Publicans and would-be hotel buyers are now looking to the future with a lot more certainty given that these taxation levels are locked in until at least 2013."

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