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FOR IMMEDIATE RELEASE — November 2007

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Investors chase NSW pub deals

Sydney, NSW (November 2007)

Continued demand for pub investments has underpinned a series of recent sales totaling more than \$30 million.

In the past week, the Berkeley Hotel in Wollongong has traded for \$4.1 million, while the Hampshire Hotel at Camperdown in Sydney has changed hands for \$4 million.

The deals follow the circa \$16 million sale of the Camden Valley Inn in Sydney's south west to the Drinx hotel group, owners of the Mean Fiddler Hotel, and the \$5.7 million sale of the Botany Hotel in South Sydney.

The Berkeley Hotel has been bought by private Sydney-based publicans with interests in three hotels throughout NSW.

The sale was negotiated by CBRE Hotels brokers Ben McDonald and Ben Parkinson.

"Strong demand for pubs continues, particularly in larger country and regional areas, despite new smoking legislation," Mr McDonald said.

"The sale price of the Berkeley and Hampshire Hotels, in the \$4 million to \$10 million range, was a driving factor, with strong demand for hotels in this price bracket," Mr McDonald continued.

The Hampshire Hotel deal was negotiated by CBRE Hotels broker Andrew Lewis.

The Parramatta Road property was purchased by the expanding GHA Group, which also owns the Bunga Bar in Bondi.

Mr Lewis said the lack of quality hotel stock for owner occupiers had underpinned interest in the Hampshire sale, which was negotiated just three weeks after the property was listed.

A drawcard for prospective purchasers had been the property's trading upside, with the accommodation rooms in the hotel presently not in use.

The Berkeley Hotel also offered future upside, given its development potential and location, adjacent to the Berkeley Shopping Centre.

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While the property was sold with 15 poker machine entitlements, Mr McDonald said there was also the opportunity to improve the yield by selling off a block of the entitlements without dramatically impacting on the gaming trade.

The pub had limited competition, being the only hotel in the suburb of Berkeley.

“The sale of the Berkeley reflects a very competitive yield for the location of circa 8 per cent, which reflects the growing investor interest in the Wollongong market,” Mr McDonald said.

The vendor on the Berkeley was RDL Investments Pty Ltd, a private Wollongong-based company who control a number of prominent entertainment venues in the area.

Mr McDonald said investors were increasingly targeting the Illawarra area, which was expected to benefit from the NSW Government’s regional planning strategy and proposed infrastructure improvements, such as the planned upgrade of the Wollongong CBD, Mr McDonald said.

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