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Landmark Sydney hotels sold under the hammer

Sydney, NSW (16 May 2009)

Two landmark Sydney pubs leased to the 75% Woolworths-owned Australian Leisure & Hospitality Group (ALH) were today sold under the hammer for a combined price of \$11.74 million, setting a strong precedent for next week's auction of a further three hotels in Melbourne.

CBRE Hotels and Burgess Rawson negotiated the auction sales of The Kirribilli Hotel and the Pymble Hotel, both on Sydney's north shore. The properties were offered for sale as part of a larger portfolio, which includes three Melbourne properties scheduled to be auctioned on June 24.

The Kirribilli Hotel achieved a sale price of \$7.83 million, translating to a strong sale yield of 6.46%. The Pymble Hotel was sold for \$3.91 million, which reflects a sale yield of 6.33%.

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

Mr Fisher said the properties had attracted considerable buyer interest, underpinned by the strength of the ALH lease covenant.

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

“Both hotels are situated in highly desirable locations on Sydney’s north shore,” Mr Fisher said.

“Combined with the ALH lease covenant, this provided a significant drawcard for prospective purchasers.”

The Pymble Hotel provides net annual income of \$247,533, while The Kirribilli offers a net annual income of \$506,040.

Burgess Rawson’s Dean Venturato said similarly strong interest had been shown in the three Melbourne hotels, which are also leased to ALH.

The three Melbourne properties are the Elsternwick, Elwood; the Rose Shamrock & Thistle, Reservoir; and Rifle Club Hotel, Williamstown all in Melbourne

“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 Venturato said.

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