

CASE STUDY OXFORD KOALA - MONUMENT APARTMENTS

Dransfield was engaged by the owner to undertake a range of multi-disciplined services including day to day management, lease negotiations, assessing development options and acting as co-agent to structure and co-ordinate a complex sale transaction.

The Oxford Koala Hotel had operated for 30 years on a leasehold basis as part of a substantial mixed use development with 3 road frontages. Dransfield was involved in the management and redevelopment of this substantial site in a number of capacities over a period of more than 10 years.

Initially Dransfield acted as the tenant's financiers representative (1990) for 6 months. As part of this role Dransfield operated the hotel and sold the leasehold interest to an overseas operator, establishing a relationship with the landlord/owner.

Our next role was to assist the owner in managing debt reconstruction in the property downturn of the early 1990s. This was as part of a property portfolio exceeding \$400M including development sites and office buildings.

In 1999, Dransfield was again asked to assist the owner manage the hotel tenant, having failed to upkeep the hotel. Dransfield negotiated a surrender of the lease, acquired the fitout from the financier and developed a range of re-leasing and redevelopment options.

In conjunction with real estate agents, Knight Frank Expotel, Dransfield negotiated a significant long term lease upgrading the hotel to 4 stars as a large boutique hotel. This involved a \$20M tenants' contribution and resulted in a 25% value uplift.

Due to an overseas reorganisation, the new tenant chose not to take up the lease and the property again became available in a much softer post Olympic market. Our client was insulated from the tenancy failure due to the substantial bond we had negotiated. New market conditions required a change in strategy where residential was "hot" and hotels "cold". We devised a scheme to subdivide the building so the hotel could be sold separately for use as a hotel or residential conversion.

Agreement for the sale of the hotel had been reached in principle when September 11, 2001 occurred. The purchaser sought to renegotiate the transaction and we negotiated a reduced minimum price with participation in any upside from redevelopment. The structure included a complex Development Management Agreement that minimised duplication of land transfer costs between the vendor and purchaser. Through participation in the design process, approval was received for a 70% increase in floor area which resulted in a significant uplift in the purchase price.

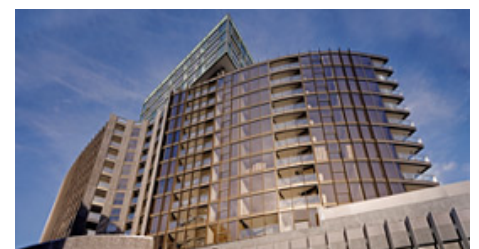
The transaction was completed and the development of Monument Apartments commenced.

The owners equity had increased well over 100% through these two transactions which relied on the consistent application of multiple disciplines.

Monument is now a high-quality, 16-level apartment building including 86 one-bedroom, 69 two-bedroom and 36 three-bedroom apartments with a mix of single and double storey layouts.



Formerly - Oxford Koala Motor Inn



Now - Monument Apartments

CONTACTS

Dransfield Hotels & Resorts
Level 8, 19-31 Pitt Street
Sydney NSW 2000

P (02) 8234 6600
F (02) 8234 6699
www.dransfield.com.au

Dean Dransfield
Director
dean.dransfield@dransfield.com.au

Grace Lam
Associate Director
grace.lam@dransfield.com.au