

HOTEL GIANTS ZERO IN ON AUSTRALIA

THE AUSTRALIAN

Lisa Allen

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NEW hotel brands and improved accommodation standards are finally on the agenda for the tourism sector, with the federal government yesterday revealing the Asian and American hospitality giants jockeying to invest here.

Federal Tourism Minister Martin Ferguson spent the past year meeting investors in Shanghai, Tokyo and Bangkok, promoting the local tourism sector, which needs 26,000 more hotel rooms built by 2020 to satisfy demand.

Singapore's listed UOL Group has already shelled out \$400 million on hotel assets here, and a further \$20m on refurbishing its 300-plus-room Parkroyal Hotel in Sydney's Darling Harbour. An \$85m hotel and residential 30-level tower proposed by the Palumbo Building Group in Adelaide's CBD is attracting interest from some of the world's top hoteliers. "Host Hotels & Resorts, which are the largest hotel company in the world based out of the States and with regional offices in Singapore, have said they are making Australia their priority investment focus for this region," said Tourism Australia investment manager Ben Yates.

"Host Hotels are already involved in Melbourne's Convention Centre and they are looking for other hotel developments to get involved with in Australia," Mr Yates said. "That is the type of investor we are looking for -- who has a good track record, they will maybe bring in new brands to Australia, and will raise the quality of accommodation by adding in new rooms."

Hong Kong's Langham Group is eyeing the Adelaide CBD for a hotel development after acquiring Sydney's Observatory Hotel last year, while Thai hospitality conglomerate Minor International is so pleased with its acquisition of the Oaks portfolio, it is looking to expand further here, Mr Yates said.

High hotel occupancies, 4.6 per cent growth in international arrivals, as well as strong corporate and domestic tourism growth were behind the push by many international investors to buy hotels here, he said. "With Langham Hotels in Hong Kong, we caught up with them last year. They were interested in and wanted more information on the CBD hotel in Adelaide, they are looking at expanding beyond that Sydney property which they rebranded. At the hotel investment

conference in Hong Kong . . . they reiterated their desire to invest in Australia," Mr Yates said. "The guys out of Bangkok, the Minor International group, (who) bought the Oaks portfolio, are looking to expand because of the better-than-expected returns they received out of their portfolio. "Asians have been the strongest acquirers of hotels, they are buying, refurbishing and adding new rooms, and then they are looking at new builds."

Mr Yates said international investors were looking for footholds in Australia. "Sydney is a priority for most of them (followed by Melbourne and Brisbane)."

Mr Ferguson also said most investment was from Asia. "There are terrific opportunities (for tourism investment) in some of the regional capital cities like Darwin. You can't get a room in Darwin these days because of the business activity," he said. Mr Ferguson held at least six high level roundtable investment conferences last year: "Every ministerial visit I make with Tourism Australia and Austrade, we arrange an investment roundtable, we take the investors through our approach,

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through potential sites and how we can help them."

Hotel consultant **Dean Dransfield** says at least six multi-billion-dollar private equity groups are showing interest. "Three to five years ago none of these new market participants would have considered hotel companies in Australia as an investment option. "There is renewed interest from substantial capital players," he said. "We have seen organised private equity take a significant interest in some of the recent transactions, there are new players in the space. Most of them have an Asian focus or are internationals with Asian funding. Sovereign wealth funds are also very interested. There are major sources of capital open to hotel investment that previously were not looking."

Mr **Dransfield** reckons the new interest will firm up hotel pricing. "There has been a level of interest, so it won't mean things will get cheaper -- and it is being driven by a comparison of investment alternatives," he said.

Australia's hotel sector had a near record \$1.5bn of transactions last year, substantially up on the \$1bn of hotel deals negotiated in 2011.

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