

AUSTRALIA SET FOR RECORD-BREAKING HOTEL INVESTMENT TRANSACTIONS



In Australia, the business activity in the first quarter of the year is often subdued because of the summer holiday season. However, things are different this year. Australia is poised for record-breaking hotel investment transactions.

Wayne Bunz, CBRE Hotels Director, said that they have already invested as much as AU\$180 million in hotels and that an investment of AU\$80 million is in due diligence stage. He also noted that most of the investment deals has been executed confidentially and off-market.

Bunz also noted that **there is a mix of investors and the hotel investment is mainly driven by businesses from Asia**. Australian private equity and the inflow of Middle Eastern capital that started recently have also contributed to an increase in the investments.

In 2015, Australia saw record hotel transactions. CBRE reported an investment of AU\$3.87 billion. A major part of the investments was from Asians who put money into high-profile luxury hotels. According to Bunz, the two portfolios that are currently attracting most interest are the Ascendas and M&L Hospitality. If the acquisition is completed this year, the total investment could almost be the same as that of the last year.

While the portfolio of M&L Hospitality is over 1,750 rooms, the Ascendas Hospitality Trusts has a portfolio of approximately 2,000 rooms. Other assets in the hospitality industry that are on offer include the Docklands Hotel project (280 rooms), Hilton in Melbourne South Wharf (396 rooms) and Collins Street project (269 rooms). All of these hotels are located in Melbourne.

The current boom in tourism in Australia could be attributed to the record number of tourist arrivals from Asia, specifically China, and the rise in domestic tourism. The weakening of the Australian dollar makes the country attractive for travelers from Asian countries with stronger currencies and expensive for Aussies to go on foreign tours. Aussies, therefore, choose to explore their own country.

According to Bunz, **the demand for corporate and leisure hotels would continue to be strong in the near future**. Additionally, he noted that new hotel investments are being made in Cairns and Gold Coast apart from those in Melbourne and Sydney which are viewed as the traditional markets.

The attractiveness of the Australian hospitality industry can be attributed to the transparent political and legal system, slowing down of China's economy, and the expectation that the Chinese yuan would weaken this year. The fact that Australian land is free-hold also attracts investments from China.

Though another record-breaking year is in the offing, the challenge faced by Australia is the supply. At least six genuine buyers bid for each of the quality hotels that is put on sale.

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