

Hotel hunters on the prowl for bargains

Tim Boreham

Hotels are consolidating their post-pandemic reputation as one of the better-performing property sectors, yet sales transactions are rare in a fragmented sector dominated by single-asset owners.

But signs of life are emerging, even though vendor expectations remain too high. When deals do take place, stained carpets and mouldy carpets just won't do: buyers are looking for assets they can refurbish or improve in other ways such as replacing the operator.

"Most of the buyers are looking for a value-add play because that's what they need to be doing to get returns that meet the requirements of investors," says Colliers head of hotels and transaction services Karen Wales.

"Therefore a rebranding and re-positioning strategy goes along with the investment."

Colliers reports national hotel sales are well below the average of about 40 a year. Since January \$800 million of deals – worth more than \$5 million each – have been transacted, compared with \$1.5 billion previously and \$600 million in pre-pandemic 2019.

"As with all sectors, capital raising has become harder because of interest rates, so the fact we have done \$800 million is still positive," Wales says.

Sydney fund Serene Capital this month bucked the trend by acquiring the Sebel Melbourne (now Rydges) in eastern suburban Ringwood, for around \$30 million.

In April, the ASX-listed MA Financial splashed out \$96 million for the Sheraton Four Stars in Melbourne's Docklands – now operating under the Vibe banner – to seed a new fund that aims for assets of \$1 billion.

At the same time, Shakespeare Property Group bought the heritage Woolstore1888 hotel in Sydney's Pyrmont for \$55 million. This month the Cosgrove Group –

the entity of Alan Bond's grandson Banjo Bond – paid \$88.5 million to buy the "trophy" Esplanade Fremantle from Centuria Capital.

MA Financial managing director Anthony O'Hea says the fund prefers to stick to Sydney and Melbourne, which are "by far the deepest and widest markets" for both corporate and leisure travellers.

"We try to own hotels that address as many of those travellers across as many segments as possible," he says.

O'Hea says the fund looks for assets that enable financial improvement – such as via minimum rent guarantees – or physical measures such as installing in-room kitchenettes with a view to longer-stay guests.

Serene's 103-room Ringwood hotel had undergone a \$30 million upgrade and next month converts to the Rydges banner. The hotel is the 13th asset for Serene Capital's \$440 million open-ended wholesale hotel fund, which owns properties in Sydney, Canberra, Brisbane and Perth.

Serene chief executive Glen Boulwood says the purchase suited the fund's agenda of buying hotels exposed to corporate and government-driven demand rather than leisure.

The fund is now hunting for its 14th assets for the fund – with an eye on something below replacement cost or from a distressed owner.

"A good example is the Adina Barricks Plaza in Perth, which we bought out of liquidation," Boulwood says. "There was nothing wrong with the asset, it was doing a phenomenal yield."

MA Financial's O'Hea says deals are likely to be done at around 20 per cent less than replacement value. At the same time, development has become "prohibitively expensive" and that protects the asset from new competition.



The former fisherman's cottage has certainly maximised views.

Waterfront cottage does so much more than just retain the past

Stephen Crafti

Visitors to the once-dilapidated fisherman's cottage in Birchgrove, with spectacular Paramatta River views, enter via a stand-alone lift shaft on the street.

In Sydney's pricey suburbs, large houses on relatively small sites are the norm as owners maximise views, often at the expense of neighbours. Constructing monumental houses that equate size with potential resale is de rigeur.

"The market generally suggests maximising a site and capitalising on views – but that certainly didn't drive this project," says architect Eva-Marie Prineas, director of Studio Prineas.

Prineas Studio was given a spectacular site to work with in Birchgrove, including a nine-metre drop to the water's edge as well as the dilapidated fisherman's cottage.

Unlike most top-end homes on Sydney's harbour, there's no basement carparking for half a dozen cars in the cottage that dates back to the late 19th century and the neighbour's views over Paramatta River and Cockatoo Island have been maintained.

While many would have simply bowled over the 60-square-metre cottage and built the 'home of their dreams', both the architect and the client, a couple with two small children, decided to build on the past and allow the streetscape, including the views of the river, to be enjoyed by the locals.

The only sign of a building at street level is a concrete lift shaft, with adjacent parking on the open terrace for a couple of cars. "We didn't see the point of designing a five-level home (with two storeys at street level) just because we could have. Nor were we persuaded to demolish the cottage even though most of these along the shoreline have long gone," says Prineas, who even went against the advice of a heritage architect who saw the humble cottage as having little heritage value.

Fortunately, both client and architect shared similar values, not only wanting to retain the past, but also mindful of the layers of history. "There's the rock face to start with that goes back thousands of years – so we wanted to also reinstate the Indigenous landscape," says Prineas, who worked closely with Bushy Landscapes.

The cottage on the lowest level was also given the same respect, with the exterior corrugated walls removed to reveal the original timber boards. It needed a major overhaul, so the non-load bearing dividing boards were removed and new steel beams inserted. Together with the new Japanese-stained timber insets into the original Kauri floor, one can still 'read' how the original cottage would have been carved up.

What was an outhouse is now a veranda and the cottage is an open-plan kitchen, dining and living area. Simple smoked oak veneer joinery lines the kitchen, with one cupboard dedicated to appliances. Rather than revealing a blank wall, there's the cottage's original timber-framed multi-paned window, offering additional light when left open. "It's about memory as much as about creating contemporary spaces for a family," says Prineas, who treated the acrylic carbon-like island bench like a piece of furniture, 'floating' above the original floors.

However, mindful of the future as much as the past, Prineas Studio added to the cottage, with a

Continued Page 7



55 Gindurra Road, 11.4 ha*



88 Somersby Falls, 6.477 ha*



78 Wisemans Ferry Road, 4.595 ha*



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*Approx. Outline indicative only

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Cottage does so much more than just retain past

From Page 8

guest bedroom, a study, a bathroom, a laundry, and a cellar also found at this level. Above are the two children's bedrooms, a shared bathroom and a study nook, orientated to a sandstone rockface buried deep into the site. The new rooms feature concrete walls and concrete ceilings.

And on the top level is the main bedroom and ensuite, treated like a sumptuous hotel suite. Featuring a marble-lined bathtub behind the bed, the owners can still enjoy the views of the water via a mirrored wardrobes. "They can also have similar water views when they're brushing their teeth," says Prineas, pointing out the dual basins. Her team also thought about the smaller details of staying in a luxe hotel and included a kitchenette/bar behind one of the cupboards so they didn't

need to take the stairs or the lift to the kitchen.

While neighbouring houses might have the ubiquitous swimming pool at the end of the garden, accessed from a manicured lawn, there wasn't the room or desire to replicate these features on this property. Instead, there's a modest-size pool, complete with a sauna and a bathroom – with the veranda above creating protection from the more inclement weather.

From the street, the now 250-square-metre house is expressed as a simple concrete lift shaft – no more and the water views can be enjoyed by those strolling past or neighbours directly opposite. One can only imagine their joy at seeing this simple addition rise in the street – a first in many of Sydney's prized waterfront locations.



The only sign of a building at street level is a concrete lift shaft.

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