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Landmark Queensland and Victorian hotels listed for auction

Brisbane, QLD (20th January 2010)

ALE Property Group has earmarked for auction seven landmark hotels in Queensland and Victoria in the latest, and possibly last, tranche of its strategic asset sales program.

CBRE Hotels and Burgess Rawson have been appointed to steer the sales process, which involves high profile hotels leased to Australian Leisure & Hospitality Group (ALH), which is 75% owned by Woolworths Limited.

The sale follows the highly successful October 2009 auction of six ALE hotels in Melbourne, Adelaide and Brisbane, which were sold under the hammer for a combined total of close to \$37 million. One property, the Sunnybank Hotel in Brisbane, was sold on a yield of just 4.19% - a new record for an Australian freehold investment hotel.

Similarly strong buyer interest is expected in the next ALE auction, underpinned by the continued private investor demand for smaller value properties with long term leases to high quality tenants.

The auction will involve:

- Three Brisbane properties: Stones Corner Hotel, Stones Corner; Royal Exchange Hotel, Toowong; Oxford 152 Hotel, Bulimba and;
- Four Melbourne properties: Royal Hotel, Essendon; Mountain View Hotel, Glen Waverley; Westmeadows Tavern, Westmeadows; and Eltham Hotel, Eltham.

Expected prices for the individual hotels range from \$4.5 million to \$11 million.

The hotels will be offered for sale individually at two auctions, with the Melbourne properties to be auctioned on February 24 at Crown Casino and the Brisbane hotels to be auctioned on March 3 at the Brisbane Polo Club. The auction will be steered by Craig Harley, Scott Callow and Joel Fisher, of CBRE Hotels, in conjunction with Raoul Holderhead, Billy Holderhead, Pat Kelly and Dean Venturato of Burgess Rawson.

Mr Harley said the overwhelming investor response to the previous ALE portfolio sales had set a strong precedent for the upcoming auctions.

All seven properties are being sold with around 19 years remaining on leases to ALH, with options to renew for a further four, 10-year terms. The leases are Triple Net (other than QLD land tax) and include yearly November CPI rent adjustments and a collared market rent review in 2018, offering the incoming owner a secure and unusually long term inflation indexed revenue stream.

"In the current environment we are fielding strong investor demand for well positioned commercial properties with strong investment fundamentals. In this instance, investors are being given the opportunity to buy well established, highly successful hotels which provide long term, CPI indexed rental cash flows backed by Australia's largest and most successful hotel operator," Mr Harley said.

Mr Raoul Holderhead of Burgess Rawson added, "as a further bonus, the ALH business is 75% owned by Woolworths, Australia's leading retailer. ALH operate more than 280 licensed venues and over 450 retail liquor outlets across Australia. The business has - and continues to be - one of Woolworths' stronger performing divisions."

Brisbane's Oxford 152 Hotel is expected to attract particularly strong investor interest. The landmark property is located in one of Brisbane's most popular riverfront suburbs, just four kilometres from the CBD. The recently refurbished property includes a drive through BWS, high profile restaurant and gaming room on a large 4,674sqm site. Net annual income is circa \$408,589

A second inner Brisbane hotel on offer is the Stones Corner Hotel, located five kilometres from the CBD. Mr Harley said the character hotel has an al fresco focus and included a drive through BWS, gaming lounge and function room on a large 2,716sqm site. Net annual income is circa \$527,718.

The third Brisbane offering is the landmark Royal Exchange Hotel, which is located directly opposite the Toowong Village regional shopping centre. Established in 1876, the hotel is located on a significant site of 2,453sqm and includes a TAB, gaming lounge, BWS bottle shop and generous beer gardens. Net annual income is circa \$491,787.

One of the premier Melbourne offerings is the Mountain View Hotel - a modern hotel complex which occupies a huge corner site of 13,500sqm. Located 19km south east of the Melbourne CBD opposite "The Glen" Major regional shopping centre, the hotel comprises a large sports bar, Super TAB, gaming areas, a bistro, BWS bottle shop and extensive parking. Net annual income is circa \$757,526.

Also for auction is the recently refurbished Royal Hotel, which is located at Essendon, eight kilometres north-west of the Melbourne CBD. The award winning hotel occupies a prominent corner site of 3,198sqm and includes a sports bar, Super TB, bistro/café, gaming room, drive through BWS and 26 motel units. Net annual income is circa \$425,620.

Another Melbourne landmark on offer is the Eltham Hotel, which has operated as a pub for 150 years. The Main Road hotel occupies an elevated corner site of 9,899sqm, including an adjacent vacant site of 886sqm. The property incorporates a large bistro, sports bar, TAB, gaming lounge, outdoor beer garden, drive through BWS bottle shop and extensive on site parking. Net annual income is circa \$508,001.

The fourth Melbourne property is the Westmeadows Tavern, which is located in a growth suburb 17 kilometres north of the Melbourne CBD. In operation as a pub for approximately 120 years, the hotel occupies a corner site of 9,733sqm. The recently renovated and extended property includes a bar, TAB, bistro, gaming area and drive through BWS. Net annual income is circa \$272,681.

"The long term leases and the blue chip tenancy covenants set these assets apart from other 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 is not often seen in the hotel market," Mr Harley said.

"All seven hotels are long established and successful businesses, which are certain to attract significant buyer interest from passive, individual retail investors."

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