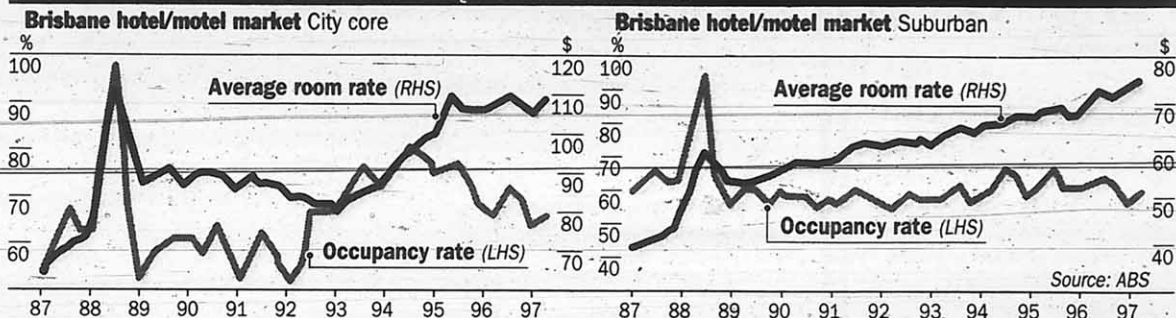


SURBURBAN MOTELS THE QUIET PERFORMER



Suburban motels drive investor dollars further

Lisa Southgate

Suburban motels have emerged as the quiet achievers of investment, according to a Herron Todd White Valuers report which shows strong demand for well located properties over the past 18 months.

The sector is seen as a less volatile sector than hotels and serviced apartments, and shows much more stable patterns of growth, said HTW's research manager, Mr Hiro Kawamata.

"The motel sector is one that nobody really talks about and it doesn't get much press," Mr Kawamata said. "When it comes to tourist accommodation people continue to talk about the CBD area, and there's also strong demand in the strata-titled serviced apartment sector, but we've seen strong demand for motels in the past months.

"There are improvements in room rates and improvements in occupancy rates, and it's also perceived that that is going to

continue, both from the investors' side, which sees good returns, and from the sellers' side, who can cash in."

Mr Kawamata said real growth in average rates this decade had been greater in the suburban market than in the City Core area, and predicted institutional and corporate investors in this sector would significantly increase their presence over the next 10 to 20 years.

Investors stood to gain strong yields from freehold motel businesses and also leasehold operations when the owner then on-sold the lease to operators.

Yields for freehold properties in south-east Queensland were now between 12 to 16 per cent, and yield for leasehold was between 33 and 45 per cent.

Australia's largest specialist motel agents, Resort Brokers, turned over \$50 to \$60 million worth of motel sales in the past year. Many of these sales achieved yields of 16 to 17 per

cent, Resort Brokers' managing director, Mr Ian Crooks, said.

A Brisbane motel on Coronation Drive, called Inn on the Park, sold earlier in the year to an Asian investor, Mr Michael Ng, for \$4.65 million, reflecting a yield of 16.5 per cent.

Resort Brokers is also in the process of selling a 30-unit motel currently under construction in Springwood, in Brisbane's southern outskirts. That property is expected to sell for \$2 million with a yield of 16 to 17 per cent, Mr Crooks said.

JLW Transact reported a strong year for motels in the Brisbane and Gold Coast areas, and recently negotiated the sale of a 12-room motel at Aspley, in Brisbane's north, for \$750,000.

"We get between 20 and 40 enquiries for each property that we market," said JLW transact manager Mr Roy Schwenke.

He said motels were not as brisk in other States, and the yields thus "not as keen".