

FOR IMMEDIATE RELEASE: 16 August 2011

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Offshore hotel investors undeterred by strong Aussie dollar

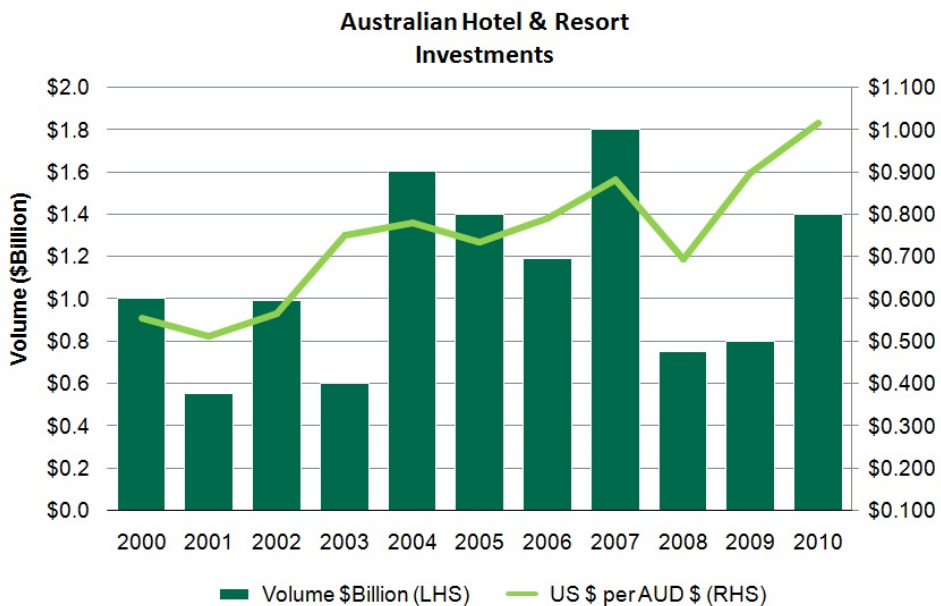
Melbourne, 16 August 2011- There is a strong correlation between currency movements and offshore investment in the Australian hotel sector according to a new market review by CBRE Hotels.

However it is the opposite of what might be expected, with more offshore investment occurring as the AUD\$ strengthens and less buying activity occurring when the dollar drops according to CBRE’s analysis of market trends over the past 10 years.

CBRE Hotels Senior Director Wayne Bunz said the analysis had produced some unexpected results, which highlighted the flight to quality that was occurring in the hotel sector.

“In the current environment purchasers are looking for safe investments even if that means paying a premium,” Mr Bunz said.

“Despite the high AUD\$, overseas investors still see value in Australian assets and consider hotels - notably those with a majority business clientele base - as safe, long term investments.”



The CBRE Hotels review coincides with the release of the firm's latest Global ViewPoint which highlights that Asian investors remain bullish despite the recent global market volatility.

In the hotel sector this includes group such as Pan Pacific Hotels Group, which last year purchased the Hilton Melbourne Hotel for \$108 million. The Singaporean based Pan Pacific is in expansion mode and has identified Australia as a growth market.

Other offshore groups targeting Australia include US hospitality giant Host Hotels & Resorts which this year acquired a 75 percent stake of the Hilton Melbourne South Wharf Hotel for \$137 million. Host also been active in New Zealand having last year purchased six hotels from Tourism Asset Holdings and one from Accor SA in a deal valued at NZ\$184 million.

The CBRE Hotels analysis includes a review of the Top 10 Australian Hotel/Resort owners and the Top 10 operators, which highlights a number of significant shifts over the first half of 2011.

On the ownership front, Tourism Asset Holding Limited, Mirvac Investment Management and the Schwartz Family Company have retained their status as the three biggest hotel owners in the country.

However there is competition in the wings from the likes of acquisitive offshore groups and local owner operators such Amalgamated Holdings which has moved up from 8th to 6th place in the rankings in just six months. The listed group is continuing to expand its portfolio with new projects such as a boutique hotel on the site of the former Growing Bros store in Sydney.

"Owner operators such as Amalgamated have sought to capitalise on the GFC period by acquiring a number of assets," Mr Bunz said.

"At the same time the overall number of rooms controlled by the Top 10 operators has dropped by over 2% in the first half of the year as new owner operators and investors vie for market share. This has seen investment funds such as GPT and Thakral drop in the rankings, with GPT having dropped out of the Top 10 list altogether."

Further movement is expected in the next six months as offshore buyers continue to eye Australian investment opportunities.

Regional Director of CBRE Hotels, Rob Cross commented; "If the current trends continue, we expect to see offshore owners become much more dominant by our next six monthly survey. The only limitation to offshore investment is the current lack of purchasing opportunities in the Pacific region."

"Hotel investment demand well exceeds supply, as offshore buyers continue to circle the Australian hotel sector for any possible opportunity to secure assets, particularly in our strong corporate centres."

On the operator front, the CBRE Hotels analysis highlights little change in the Top 10 rankings over the past six months.

The one exception has been Quest Apartments which has jumped up from 7th to 4th place in the rankings after opening new Victorian properties in Moorrabin, Hawthorn and Cheltenham.

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