

Salter Brothers buys Travelodge portfolio for record \$620m

Larry Schlesinger *Reporter*



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Melbourne-based fund manager Salter Brothers has placed a huge bet on the hotel sector bouncing back strongly in a post-lockdown, vaccinated world after joining forces with two of the world's biggest real estate investors to buy the Travelodge hotel portfolio from Mirvac and the NRMA for a record \$620 million.

Salter Brothers, which manages about \$2 billion of assets including hotels such as the InterContinental Melbourne, exchanged contracts on Friday to acquire the 11 Travelodge hotels and more than 2000 rooms for a new hospitality joint venture vehicle backed by Singaporean sovereign wealth fund GIC and Swiss-based global private equity firm Partners Group.



The 11 hotels include the Travelodge Hotel Martin Place in the Sydney CBD.

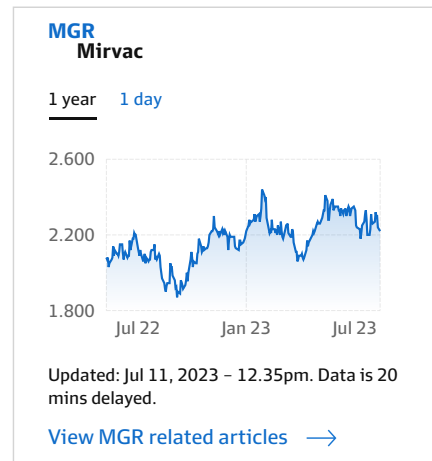
The deal is the biggest hotel real estate transaction in Australian history, eclipsing the \$500 million Salter Brothers paid for the Eureka portfolio in 2017,

[\[https://www.afr.com/property/commercial/salter-brothers-build-1b-hotel-fund-with-brisbane-next-deal-20190521-p51pnb\]](https://www.afr.com/property/commercial/salter-brothers-build-1b-hotel-fund-with-brisbane-next-deal-20190521-p51pnb) and the second biggest in the Asia-Pacific region this year behind Blackstone's 60 billion yen (\$738 million) acquisition of eight Miyako Hotels [\[https://www.mingtiandi.com/real-estate/finance-real-estate/blackstone-buys-japan-hotels-from-kintetsu-group/\]](https://www.mingtiandi.com/real-estate/finance-real-estate/blackstone-buys-japan-hotels-from-kintetsu-group/) from Japan's Kintetsu Group Holdings.

Highlighting the confidence investors have in the sector despite the current challenges posed by lockdowns and border closures, the Travelodge portfolio sold \$100 million above its 2020 book value and attracting 18 bids since being listed for sale in September last year. [\[https://www.afr.com/property/commercial/mirvac-nrma-tip-550m-hotel-portfolio-onto-the-market-20200925-p55zan\]](https://www.afr.com/property/commercial/mirvac-nrma-tip-550m-hotel-portfolio-onto-the-market-20200925-p55zan)

believed the hotel market would bounce back once domestic borders reopened (and stayed open) and the vaccine program ramped up.

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“We have done a lot of work on a domestic-only market with no international visitors coming in, and the view is that we have more than enough demand in Australia to support operating back at pre-COVID levels,” he told *AFR Weekend*.

The majority of the portfolio – seven out of the 11 hotels – are in Sydney, which Mr Salter said had been a strong market historically and would return to that status after the latest lockdown.

“What we were seeing prior to this lockdown was more than just green shoots. The numbers were trending up,” he said.

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“[As an example] when borders were open, our Canberra Crowne Plaza hotel was beating its pre-COVID numbers. There is pent-up demand. People want to travel.”

Flagship properties in the portfolio include hotels at Martin Place and Wynyard in the Sydney central business district, on Wentworth Avenue in Surry Hills and the Travelodge Southbank in Melbourne.

Under new ownership – settlement is expected towards the end of the year and requires Foreign Investment Review Board approval – the hotels will undergo refurbishment and repositioning with the aim of lifting their performance. A new operator will also be sought in the coming months.

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and the NRMA, delivered pre-tax earnings of \$41 million in 2019 prior to the pandemic. Earnings slumped to \$26 million last year.

“We’re hoping that post-refurbishment and COVID, we can do in excess of the [pre-pandemic] numbers,” Mr Salter said.

The sale of the portfolio was negotiated by Sam McVay of McVay Real Estate and Credit Suisse.

Mr McVay called the result a “great outcome” and an indicator of the better outlook for mid-scale hotels, which require lower occupancies to break even than upmarket and luxury hotels.

“Mid-scale hotels will be the first big sector to rebound,” he said.

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