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Hotel Property Investments Limited (“HPI”) (ASX Code: HPI)

HPI is pleased to announce the following transactions:

- Acquisition of South Australian pub portfolio of seven properties for \$66.1 million (excluding costs) at a cap rate of 5.4%;
- A \$30.4 million Portfolio Capex program and associated rentalisation agreed with our largest tenant across the existing Queensland Venue Company (“QVC”) portfolio;
- Sale of the Acacia Ridge Hotel for \$25 million (excluding costs) at a cap rate of 4.4%;
- Completion of a \$3.8 million development at Ferry Road Tavern, Gold Coast; and
- An increase in debt facilities to preserve our ability to continue to recycle and acquire properties to expand and diversify the portfolio.

Following completion of these transactions HPI’s Total Assets are expected to exceed \$1.1 billion.

Acquisition of South Australian pub portfolio for \$66.1 million (excluding costs)

HPI confirms that agreement has been reached to acquire a portfolio of seven pubs (and ancillary retail) in South Australia from the Saturno Group, in conjunction with Australian Venue Company (“AVC”) who has acquired the operating businesses on new 15 year leases with two, fifteen year extension options.

The portfolio includes:

- The Unley – Parkside, SA
- The Mile End – Mile End, SA
- Avenues Café Bar – Adelaide, SA
- The West End Tavern – Adelaide, SA
- Mick O’Shea’s Hotel – Hackham, SA
- The Duck Inn – Coromandel Valley, SA
- Victoria Hotel - Strathalbyn, SA

The total acquisition price is \$66.1 million (excluding costs) and the weighted average passing yield is 5.4%. Settlement is expected in February 2022.

The acquisition adds to HPI’s current portfolio of three assets in South Australia.

\$30.4 million Portfolio Capex program

HPI also confirms that agreement has been reached to invest a further \$30.4 million into a significant capex program across our portfolio at a rentalised weighted average yield of 5.9%.

Under the agreement, HPI will provide QVC with funding for major renovation works at 12 venues with an upfront payment in December 2021. The additional rental income will commence from the payment date and will escalate in future years in accordance with the terms of the individual leases.

Sale of the Acacia Ridge Hotel for \$25 million (excluding costs)

HPI have entered into an unconditional contract for the sale of the Acacia Ridge Hotel for \$25 million (4.44% yield on the current passing rent). Settlement is expected in February 2022.

The Acacia Ridge Hotel was acquired by HPI in January 2020 for \$20 million with an initial yield of 5.5%.

The proceeds of the sale will be utilised to partly fund the acquisition of the South Australian portfolio.

\$3.8 million development at Ferry Road Tavern, Gold Coast

HPI has recently completed a \$3.8 million retail development at Ferry Road Tavern which is fully leased with a Year 1 forecast return of 8% on investment.

Increase in debt facilities

In conjunction with the transactions noted above, HPI has increased available bank debt facilities by \$100 million maturing in August 2024, which will be partly used to fund the transactions.

FY22 distribution guidance

HPI maintains current FY22 guidance of 20.5 cents per security, barring any unforeseen events and no material change in market conditions.

This ASX announcement was authorised by the Hotel Property Investments Limited Board.

Blair Strik
Company Secretary
Hotel Property Investments Limited