

Hospitality to acquire Sandton Holiday Inn

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Property Editor

HOTEL-focused listed property loan stock company Hospitality Property Fund announced yesterday it had entered into an agreement to acquire the Holiday Inn Sandton for R400m.

CEO Gerald Nelson said that the rationale behind the transaction was the fact that it was a "great property" in a good location with "tremendous growth potential".

The 301-room four-star hotel — located next to the Village Walk Shopping Centre in Sandton — is under construction and will be completed in September.

The property was acquired from Central Plaza Investments.

Hospitality said that the hotel was located on one of the "prime hospitality sites in the country".

There has not been much in the way of property transactions in the listed property sector because of the high cost of debt in weaker economic conditions.

But Nelson said that Hospitality, which has low borrowing levels of about 20% of total assets, would in all likelihood be using its existing debt

facilities to finance the transaction.

The rest of the listed property loan stock sector has a borrowing level in the region of 30%.

Nelson said the latest acquisition would increase the size of Hospitality's portfolio to about R2,6bn. After the transaction is finalised, Hospitality will own a total of 23 hotel properties.

Hospitality said an independent valuation conducted by property services group JHI attributed a value of R470m to the hotel.

The company said the sales price represented a 14,9% discount to the open market value and that it was anticipated the acquisition would be growth enhancing for Hospitality in the long term.

He said Hospitality was still on the acquisition trail, but that it was difficult to buy properties at the moment because of the "current mismatch between cost of debt and property yields and all trading yields of listed property". The deal was negotiated over the past couple of months.

Nelson said Hospitality's portfolio was performing solidly and that there was still an overall shortage of hotel accommodation.

