

23 August 2023
By Larry Schlesinger

Indonesians to convert vacant Sydney office tower into luxury hotel

Indonesia's ultra-wealthy Karim family has stepped up plans to build a \$500 million hotel portfolio in Australia after splashing out \$78 million for a boutique hotel in Brisbane and an office tower in the Sydney CBD that it will repurpose into luxury accommodation.

Through its local investment vehicle Invictus Developments, the Karims paid \$25 million for the five-star The Inchcolm by Ovolo, a 50-room hotel in Spring Hill and a heavily discounted \$52.5 million for the vacant former Bank of China building at 39 York Street, near Sydney's Wynyard Station.



The former Bank of China building will be converted into an upmarket hotel at a cost of \$30 million.

Joining the emerging trend of [office-to-hotel conversion](#), Invictus plans to spend \$30 million refurbishing the 15-storey York Street tower, including adding a rooftop bar. The new hotel should open by the end of 2025.

These acquisitions grow the Invictus portfolio to four hotels and takes its spending on assets to more than \$160 million in less than 10 months. The Karim family made its maiden Australian acquisition in December when it bought [Rich Lister Robert Magid's Harbour Rocks Hotel](#) for \$40 million.

The Karims followed up this purchase with the acquisition of the Quest Woolloongabba from [Melbourne's Pellicano Group](#) for \$43.8 million in March.

FINANCIAL REVIEW

Chayadi Karim, the son of Indonesian palm oil tycoon Bachtiar Karim and the principal of Invictus Developments, told *The Australian Financial Review* in December it planned to build a [\\$500 million hotel portfolio on the East Coast](#), with a focus on Sydney as well as opportunities in Brisbane and Canberra.

“We are very strong believers in the Australian hotel market as international travel is returning to pre-COVID levels. Australia is seen as an exciting and vibrant destination in the Asia-Pacific region,” Mr Karim said following the latest acquisitions.

He said further acquisitions were planned on the East Coast to add to the family’s existing portfolio of hotels in Singapore and Japan.



Invictus bought the Inchcolm by Ovolo Hotel in Brisbane for \$25m.

Invictus acquired the Inchcolm hotel from Trio Capital, the investment and asset management arm of Ovolo Hotels. Trio is also selling its 1888 by Ovolo hotel at Woolloomooloo Wharf.

The \$52.5 million Invictus paid for the York Street office building is more than a third less than the \$80 million Bank of China hoped to sell the empty building for – an indication of how sharply the values of lower grade office buildings have retreated.

Sydney-based Intergen Property Group advised Invictus on its acquisitions, while CBRE’s Wayne Bunz and Steve Carroll handled the sale of the Inchcolm Hotel and Mitch Noonan, James Aroney and Sophie Tieman of JLL acted on behalf of the Bank of China in its Sydney divestment.

While the Karim family is bulking up its accommodation portfolio, around \$350 million of Melbourne hotels are being tipped onto the market by investors that include Sydney investment house AsheMorgan and British funds giant M&G Real Estate.

FINANCIAL REVIEW

AsheMorgan is putting the [newly finished Nesuto apartment hotel](#) at its District Docklands precinct in Melbourne up for sale with an asking price of about \$90 million, while M&G is selling two Accor-operated Art Series Hotels – The Olsen on Chapel Street in South Yarra and The Cullen in Prahran – for around \$175 million.

Also hitting the market with price expectations of around \$35 million is the 103-room Sebel Melbourne Ringwood, which was developed and operated by the Brady family's Amber Property Group under a franchise agreement with Accor. The Prince of Wales Hotel in St Kilda, which has an undisclosed asking price, but last traded for \$45 million in 2015 when it was bought by Jackalope Group, is also on the market.

The JLL Hotels team of Peter Harper, Nick MacFie and Simon Quinn and has been appointed to market the Nesuto and Art Series Hotels and are co-agents on the Sebel Ringwood alongside Stonebridge's Rorey James, Justin Dowers and Kevin Tong.

CBRE's Scott Callow and Nathan Mufale are handling the sale of the Prince of Wales.

This wave of new listings join the [Ritz-Carlton Melbourne \(being sold by CBRE Hotels and McVay Real Estate\)](#) and The Quincy Hotel (CBRE) which also hit the market this year.

Mr Harper said the listing of several high-profile Melbourne hotels followed a period of inactivity due to concerns at how the city would recover from the COVID-19 period given the large volume of new supply coming online.

“Not only has the performance of the Melbourne market exceeded all expectations and reinforced its world-class fundamentals, but a couple of high-profile deals have taken place so far this year and that has shown that there is high conviction for Melbourne as an investment destination among global investors,” Mr Harper said.

Melbourne hotel deals concluded this year include Singapore's [Worldwide Hotels Group](#) buying the dual-branded Novotel and Ibis Melbourne Central Hotel in the CBD for \$170 million in a deal brokered by CBRE.