

ASX Announcement

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The Manager

Australian Securities Exchange Limited

Corporate Announcement Office

Level 4, 20 Bridge St

Sydney NSW 2000

Hotel Property Investments (ASX Code: HPI)

Hotel Acquisition and Equity Raising

*Hotel Property Investments (HPI) is pleased to announce that it has exchanged contracts to acquire the Beenleigh Tavern, a freehold hotel property leased to the Coles Group in the Brisbane suburb of Eagleby (**Acquisition**).*

*HPI also announces the launch of an institutional placement to raise up to approximately \$25 million (**Institutional Placement**), and the intention to offer a Security Purchase Plan to raise up to approximately \$5 million (**SPP**) (together with the Institutional Placement, the **Equity Raising**). HPI reconfirms FY15 distribution guidance of 15.9 cents per security post the Acquisition and the Equity Raising.*

Following the Acquisition and an Institutional Placement of \$25 million, HPI's gearing is expected to reduce to approximately 42%. Further, HPI is considering increasing its loan facility limit by up to \$50 million in the near term and has received credit approved terms from its bank syndicate to do so. HPI will provide the market with an update in relation to any final decision and the timing of such an increase.

Acquisition summary

HPI has agreed to purchase the Beenleigh Tavern at a price of \$9.9 million, which represents a yield on net income of 7.9%. The Beenleigh Tavern lease includes annual CPI rent escalations up to 3% per annum throughout the lease term. The remaining initial lease term is 12.2 years, with two 10-year extension options at the tenant's discretion. Other lease terms including recovery of outgoings and reversion of gaming and liquor licences to the landlord are similar to those of HPI's existing Coles Group properties.

Settlement of the Acquisition is expected to take place on or around 17 October 2014.

The acquisition of this quality property is consistent with HPI's investment proposition and demonstrates HPI's growth potential through the acquisition of assets that meet HPI's investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth, and leased to experienced tenants on favourable lease terms.

HPI continues to monitor the market for acquisition opportunities that represent value to HPI securityholders and will continue to be disciplined and selective in its approach to additional acquisitions.

Equity Raising summary

HPI has today launched an institutional placement to raise up to approximately \$25 million, with proceeds to be applied to the Acquisition, as well as rebalancing capital following the acquisition of Hotel HQ and providing financial flexibility for further opportunities.

The issue price for the Institutional Placement will be determined by a bookbuild to be conducted this afternoon with reference to a floor price of \$2.25 per security, which represents a 4.7% discount to the last closing price and a 4.2% discount to the 5-day volume weighted average price of HPI securities.

Settlement of the Institutional Placement is expected to take place on 15 October 2014, with allotment expected to occur on 16 October 2014. New securities issued under the Institutional Placement will rank equally with existing HPI securities on issue.

Subsequent to the Institutional Placement, HPI intends to offer an SPP under which eligible HPI securityholders on the register at 7pm (AEDT) on 8 October 2014 may apply for up to \$15,000 of new securities. New securities issued under SPP will be offered at an issue price consistent with the price paid by institutional investors under the Institutional Placement.

HPI intends to accept up to \$5 million in proceeds from the SPP, and reserves the right to scale back applications under the SPP at its discretion. Further details on the SPP will be provided to eligible securityholders in due course.

Commenting on the Equity Raising, Chairman Mike Tilley said, "The Equity Raising funds HPI's acquisition of the Beenleigh Tavern and rebalances its capital base following the Hotel HQ acquisition. Gearing is expected to reduce to approximately 42% following completion of the Acquisition and the Institutional Placement of \$25 million, towards the low end of our target range of 40-50%."

Contact:

David Charles

Fund Manager and Company Secretary

Hotel Property Investments Limited

03 9038 1774

Website: www.hpitrust.com.au

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