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Hotel Supply Not Hindering Sales Just Yet

| By [Daniel Lesser](#)

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LW HOSPITALITY ADVISORS
SELECT MAJOR U.S. HOTEL SALES SURVEY - Q1 2017

Q	PROPERTY	LOCATION	NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q1	Hyatt Place Phoenix/Gilbert	Gilbert	AZ 127	\$15,500,000	\$122,047	Sethi Management	JV Woodbine Development Corporation & Hyatt Corporation
Q1	Hyatt Place Phoenix/Mesa	Mesa	AZ 152	\$22,200,000	\$146,053	Summit Hotel Properties, Inc.	Wolff Urban Management
Q1	L'Auberge de Sedona & Orchards Inn Sedona	Sedona	AZ 158	\$97,000,000	\$613,924	DiamondRock Hospitality Company	IMH Financial Corporation
Q1	Homewood Suites by Hilton Aliso Viejo - Laguna Beach	Aliso Viejo	CA 129	\$38,000,000	\$294,574	Summit Hotel Properties, Inc.	Stonebridge Companies
Q1	Santa Anita Inn	Arcadia	CA 100	\$47,000,000	\$470,000	Chateau Group	Continental Assets Management
Q1	Hyatt Place UC Davis	Davis	CA 127	\$32,200,000	\$253,543	Blackstone Real Estate Income Trust	Westbrook Partners
Q1	W Hollywood ¹	Los Angeles	CA 305	\$219,000,000	\$718,033	Host Hotels & Resorts, Inc.	HEI / GC Hollywood and Vine LLC
Q1	Fairmont Newport Beach	Newport Beach	CA 444	\$125,000,000	\$281,532	N/A	Sunstone Hotel Investors
Q1	JW Marriott Desert Springs Resort & Palm Desert Spa	Palm Desert	CA 884	\$160,000,000	\$180,995	Kam Sang Company	Host Hotels & Resorts
Q1	Hyatt Place Riverside/Downtown	Riverside	CA 125	\$24,500,000	\$196,000	N/A	N/A
Q1	Sommerset Suites Hotel ²	San Diego	CA 80	\$19,500,000	\$243,750	SENTRE	Pacifica Hotels
Q1	Crowne Plaza Los Angeles Harbor Hotel	San Pedro	CA 244	\$26,900,000	\$110,246	SPF Capital Real Estate	Proficient Hotel
Q1	Sunset Tower Hotel ³	West Hollywood	CA 81	\$118,750,000	\$1,466,049	JK Hotel Group	ER Hollywood

NEW YORK CITY—Despite low expectations by many, the US **lodging** industry achieved growth in all top line operating statistics, and remarkably, every significant metric completed the year at a record level during 2016. At this juncture, a cautious outlook for the sector remains, due in part to increases in new hotel supply in major US markets, the rise of alternative accommodations and the softening of income growth and property values. However, US consumer confidence is at a 16-year high, surpassing the levels reached before the 2008 financial crisis and rivaling the heady days of the dot-com boom.

The **LW Hospitality Advisors** (LWHA) Q1 2017 Major US Hotel Sales Survey includes 54 single asset sale transactions over \$10 million, none of which are part of a portfolio. These transactions totaled roughly \$3.6 billion, and included approximately 13,200 hotel rooms with an average sale price per room of \$273,000. By comparison, the LWHA Q1 2016 Major US Hotel Sales Survey identified 41 transactions totaling roughly \$2.6 billion including 9,400 hotel rooms with an average sale price per room of nearly \$275,000. Eleven major Q1 2017 hotel sales occurred in California, followed by five in Florida, and four in Washington state. Noteworthy

trades include Ashford Hospitality Prime's \$1.2 million per room acquisition of the 80 unit Hotel Yountville in California and in Los Angeles, and JK Hotel Group's purchase of a remaining 80 percent stake in the 81 unit Sunset Tower Hotel at a total property basis of just under \$1.5 million per room.

Recently, the Federal Reserve increased its overnight funds rate a quarter of a point to a target range of 0.75% to 1.00%. The decision to increase rates was prompted by encouraging market indicators that the prolonged slowdown may be drawing to an end. Furthermore, the maneuver is anticipated to be the launching into what is expected to be a more rapid series of increases that are intended to ward off inflation but will also raise consumer and commercial borrowing costs. Regardless of the increase, interest rates still remain historically low and provide opportunities to lock in long-term, accretive financing. Finally, the increase is a sign of confidence relative to economic expansion, in particular job and wage growth all of which are positive for commercial real estate and specifically lodging.

During the months leading up to the November elections, uncertainty muted transaction activity. Since then, a renewed optimism has evolved due in part to a strengthening US economy and a rising stock market. While previously cautious institutional investors have regained resolve to consummate sale transactions, a dynamic which is becoming more common place is that owners are resisting temptation to sell assets as few good alternatives exist to reinvest capital.

As the economy goes, so does the demand for hotel accommodations. With an expectation for re-acceleration of US economic expansion, the forecast for industry wide operating metrics is for continued positive, albeit slower growth. Nationally, growth in new hotel supply is slightly exceeding demand increases. However, the negative imbalance is currently most acute in metropolitan areas experiencing double digit percentage increases in new supply as a percent of existing supply including New York City, Seattle, Nashville and Denver. The hotel business has always been and continues to be a neighborhood type business. National averages are just that, and sophisticated hotel market participants delve into analytics of defined and specific submarkets.

As greater clarity on the range of economic, tax and fiscal policy changes under the young Trump administration emerges, investor activity will likely increase. With this said, given daily leasing of units, the lodging industry always faces fragility due in part to unanticipated disruption of travel as a result of unforeseeable and/or uncontrollable events.

While during the past year US lodging transaction activity has been sluggish, generally, hotel asset pricing remains strong and per room valuations remain on an upward trajectory. Bid-ask spreads remains wide, and while rising interest rates place upward pressure on capitalization rates, compression is exerted due to an abundance of domestic and foreign capital chasing yield. Properly structured hotel investments offer a demonstrated track record of superior risk adjusted returns as well as representing terrific ventures to hedge against inflation.

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1) Property includes 10,800 square feet of high-quality retail space and seven prominent supergraphic billboard signs

2) Property originally built as apartment complex purchased for conversion to luxury apartments

3) Buyer already owned 20% interest and exercised a right of first offer to buy out with unknown JV partner former partner's 80 percent stake in the property for roughly \$95 million; sales price illustrated reflects 100% valuation

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Q1	Hotel Yountville	Yountville	CA	80	\$96,500,000	\$1,206,250	Ashford Hospitality Prime	N/A
Q1	Park Hyatt Beaver Creek Resort & Spa	Beaver Creek	CO	190	\$145,500,000	\$765,789	Ashford Hospitality Prime, Inc.	Walton Street Capital
Q1	Westin Westminster	Westminster	CO	370	\$70,000,000	\$189,189	Wheelock Street Capital	Amstar Group
Q1	Courtyard Washington Convention Center	Washington	DC	188	\$83,000,000	\$441,489	Global Holdings	JV Peebles Corp. & Donohoe Cos. & Penrose Group
Q1	Homewood Suites Washington D.C. Convention Center	Washington	DC	160	\$50,400,000	\$315,000	Alduwaliya Hospitality	Magna Hospitality Group
Q1	Hilton Garden Inn / Homewood Suites Downtown Southbank	Jacksonville	FL	221	\$24,700,000	\$111,765	Lingerfelt Commonwealth Partners LLC	N/A
Q1	Ritz-Carlton Coconut Grove	Miami	FL	115	\$24,630,000	\$214,174	Hersha Hospitality Trust	Gencom
Q1	Country Inn & Suites By Carlson	Orlando	FL	182	\$10,000,000	\$54,945	Pinnacle Hospitality Group LLC	SMS Hospitality
Q1	Don CeSar and Beach House Suites	St. Petersburg	FL	347	\$214,000,000	\$616,715	Host Hotels & Resorts, Inc.	JV Loews Hotels & Prudential Insurance
Q1	Sirata Beach Resort and Conference Center	St. Petersburg	FL	382	\$108,190,000	\$283,220	Crescent Real Estate	Nicklaus Family
Q1	Sheraton Atlanta Hotel	Atlanta	GA	763	\$64,200,000	\$84,142	Arden Group	JV Amerimar Enterprises & Contrarian Capital
Q1	Hyatt Place Atlanta Airport-North	East Point	GA	150	\$14,500,000	\$96,667	N/A	Summit Hotel Properties, Inc.
Q1	Holiday Inn Savannah South I-95 Gateway	Savannah	GA	100	\$10,000,000	\$100,000	AD1 Global	N/A
Q1	The Westin Maui Resort & Spa, Ka'anapali	Lahaina	HI	759	\$317,000,000	\$417,655	JV Trinity Investments LLC & Oaktree Capital Management LP	Marriott International Inc.

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Q1	Kimpton Hotel Allegro Chicago	Chicago	IL	483	\$85,900,000	\$177,847	Hospitality Properties Trust	Clarion Partners
Q1	Courtyard Boston Logan Airport	Boston	MA	351	\$43,000,000	\$122,507	George Schott	JV Rockwood Capital & Ocean Properties Ltd.
Q1	Cranwell Spa and Golf Resort	Lenox	MA	114	\$22,000,000	\$192,982	Hyatt Corporation	N/A
Q1	Radisson Hotel Bloomington by Mall of America & Water Park of America	Bloomington	MN	403	\$39,100,000	\$97,022	Great Wolf Resorts Inc.	Wheelock Street Capital
Q1	Minneapolis Marriott Northwest	Brooklyn Park	MN	231	\$29,250,000	\$126,623	K & P Partners	Long Wharf Real Estate Partners
Q1	Holiday Inn St. Paul-I-94-East	St. Paul	MN	193	\$15,000,000	\$77,720	Twin Cities Hospitality Partners, LLC	Won Huh LLC
Q1	Chase Park Plaza Hotel	St. Louis	MO	350	\$94,000,000	\$268,571	Behringer Harvard Opportunity REIT I Inc.	Behringer Harvard Opportunity REIT I Inc.
Q1	Hyatt Place Charlotte Downtown	Charlotte	NC	172	\$40,850,000	\$237,500	Beacon Investment Management Group	N/A
Q1	Hilton Durham	Durham	NC	195	\$14,100,000	\$72,308	JV Driftwood Acquisitions & Merrimac Ventures	Interstate Durham LLC
Q1	Dolce Basking Ridge Hotel	Basking Ridge	NJ	171	\$30,000,000	\$175,439	Verizon	Broadreach Capital Partners
Q1	Rumor Boutique Hotel	Las Vegas	NV	150	\$18,000,000	\$120,000	Kingston Overseas Holdings US LLC	Siegel Group Nevada Inc
Q1	Crowne Plaza JFK Airport New York City	Jamaica	NY	330	\$60,000,000	\$181,818	GFI Real Estate Limited	ERG JFK Hotel, LLC
Q1	Club Quarters Hotel Wall Street	New York	NY	289	\$95,000,000	\$328,720	McSam Hotel Group	Rockwood Capital

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Q1	Dumont NYC	New York	NY	252	\$120,000,000	\$476,190	LeFrak Organization	Pebblebrook Hotel Trust
Q1	Hampton Inn & Suites Newtown	Yardley	PA	137	\$10,700,000	\$78,102	Yardley Hospitality Holdings	LNR Partners
Q1	Holiday Inn Express Middletown/Newport	Middletown	RI	117	\$10,000,000	\$85,470	Lafrance Hospitality	Newport Hotel Group
Q1	Hyatt Regency Newport	Newport	RI	257	\$92,000,000	\$357,977	JV Metrovest & BLDG Management & Square Mile Capital Management LLC	Amstar
Q1	Courtyard Fort Worth Historic Stockyards	Fort Worth	TX	124	\$18,000,000	\$145,161	Apple Hospitality REIT, Inc.	LBA Hospitality
Q1	DoubleTree by Hilton Hotel Houston - Houston Greenway Plaza		TX	388	\$59,000,000	\$152,062	Navika Capital Group	N/A
Q1	Richmond Marriott Short Pump	Glen Allen	VA	243	\$38,500,000	\$158,436	FPLC Richmond LLC,	Lingerfelt Commonwealth Partners LLC
Q1	Lansdowne Resort and Spa	Leesburg	VA	296	\$133,000,000	\$449,324	Dejia LLC	LaSalle Hotel Properties
Q1	Hilton Garden Inn Seattle Downtown	Seattle	WA	222	\$90,000,000	\$405,405	Union Investment	Touchstone
Q1	Hotel Deca	Seattle	WA	158	\$55,000,000	\$348,101	AJ Capital Partners	LaSalle Hotel Properties
Q1	Kimpton Alexis Hotel	Seattle	WA	121	\$71,600,000	\$591,736	Hospitality Properties Trust	LaSalle Hotel Properties
Q1	Pan Pacific Seattle	Seattle	WA	153	\$79,000,000	\$516,340	Hersha Hospitality Trust	Vulcan Inc.
Q1	Country Springs Hotel & Waterpark	Pewaukee	WI	187	\$14,500,000	\$77,540	Waukesha Hospitality LLC	CIP Equity LLC