

# California Leads The Nation For Q2 Hotel Sales Even As Sector Slows

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While the nation's hotel deals have slowed in the first half of this year after several years of rising sales, some markets continue to do well. California was the nation's most active market for hotel deals in Q2.



Courtesy of Proper Hospitality

Hollywood Proper Hotel

California had 10 major hotel sales in Q2, according to a recent [LW Hospitality Advisors](#) Q2 2017 Major U.S. Hotel Sales Survey, which focused on major single asset transactions of \$10M and above.

Florida came in second with nine deals in the quarter.

Particular cities stood out, including Atlanta with four deals and San Jose, which had three.

LW Hospitality Advisors President and CEO [Daniel Lesser](#) said coastal cities, like those in California, have advantages in the current market.

California had deals totaling around \$2.8B in Q2, including about 11,600 hotel rooms with an average per room sale price of \$244K, according to the survey.



Courtesy of Daniel Lesser

LW Hospitality Advisors CEO Daniel Lesser

“California is a coastal location. Similar to East Coast locations like New York, coastal cities tend to be highly desirable for investors,” Lesser said. “California, generally speaking, it’s safe to say it’s probably harder to develop and build new there than it is in other parts of the world. That probably causes more transactions to occur as a result of that in terms of sales of existing properties.”

[Atlas Hospitality Group](#) President Alan Reay said the first six months of this year, California set a new record in terms of individual hotel sales and the second-highest dollar volume of sales on record at \$3.2B.



Courtesy of Alan Reay

Atlas Hospitality Group President Alan Reay

His company released its own 2017 Mid-Year California Hotel Sales Survey on Wednesday.

California set a new midyear sales record with 206 transactions, beating the previous high of 187 set three years ago. The state is on track for a record of at least 400 individual hotel transactions this year, according to the Atlas Hospitality Group survey.

Reay said California has a great deal going for it and is one of the most desirable hotel investment markets in the world for a variety of reasons.

"[It has a] diverse vibrant economic base, excellent weather, strong international and domestic tourism, barriers to entry in many markets and, last but not least, a very safe haven for overseas wealthy investors especially out of China," he said.



Courtesy of R.D. Olson Construction

Bar at the Kimpton Hotel Palomar Los Angeles Beverly Hills

Not only is there a great deal of foreign capital chasing yield in the United States, but foreigners want to invest in this country and in hotels, according to Lesser.

"Hotels tend to be perceived as a sexy asset class in terms of commercial real estate," Lesser said.

Hotel sale prices are flat after peaking two years ago.

Uncertainty leading up to last year's presidential election caused a flattening in values, with some markets declining as much as 20%, according to the LW Hospitality Advisors survey.

Looking forward, the outlook is fairly bullish for continued activity in the hotel industry, according to Lesser.