

Harrah's Las Vegas tops 2017's US single-asset sales

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News Release

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Totalling approximately \$13.6 billion and 51,000 hotel rooms, the U.S. hotel sector in 2017 witnessed 182 single-asset deals, nine more than in 2016 and led by the \$1.14 billion sale of the 2,530-room Harrah's Las Vegas Hotel & Casino, Las Vegas, according to LW Hospitality Advisors' 2017 Major U.S. Hotel Sales Survey.

By HNN Newswire

NEW YORK CITY, Jan. 8, 2018—Driven by robust business and leisure travel, the US hotel industry completed another year of record setting metrics including: Occupancy, Average Daily Rate, RevPAR, Available Rooms, Occupied Rooms, and Rooms Revenue. An extremely active and ferocious hurricane season during the summer months provided a boost to the extended-stay hotel segment but disrupted operations at many properties throughout Florida and Texas. While exacerbated in several submarkets, generally, the nation's new hotel supply pipeline is fairly muted with an annual rise of approximately 2%, which is similar to the corresponding increases in demand. Surging growth of GDP coupled with steady jobs increases and an ebullient stock market indicates a strong US economy for the foreseeable future. Furthermore, healthy economies throughout the world are supporting growth throughout America.

The LW Hospitality Advisors (LWHA) 2017 Major U.S. Hotel Sales Survey includes 182 single-asset sale transactions over \$10 million, none of which are part of a portfolio. These transactions totaled roughly \$13.6 billion, and included approximately 51,000 hotel rooms with an average sale price per room of \$267,000.

By comparison, the LWHA 2016 Major U.S. Hotel Sales Survey identified 173 transactions totaling roughly \$12.7 billion including 42,400 hotel rooms with an average sale price per room of nearly \$300,000. Comparing 2017 with 2016, the number of trades increased by approximately 5% while total dollar volume rose roughly 7% and sales price per room declined by 11%. This data indicates that overall transaction volume was relatively similar in 2017 compared to 2016, but larger hotels (in terms of rooms count) were sold in 2017.

Other interesting observations from the LWHA 2017 Major U.S. Hotel Sales Survey includes:

- 32 major sales occurred in the State of California followed by 28 in Florida, and 12 in New York;
- 35 single-asset trades greater than \$100 million occurred during 2017, and of those, six

were greater than
\$300 million;

- The sheer size of the largest single-asset trade of 2017, namely \$1.14 billion paid for the 2,530-room Harrah's Las Vegas Hotel and Casino in Las Vegas, is noteworthy;
- Of five single-asset trades in Hawaii, four were greater than \$200 million each; Five single-asset trades greater than \$1 million per room transacted during 2017;
- Capital recycling is evident by the fact that the following investment groups were both buyers and sellers during the year: Blackstone, Carey Watermark Investors, Chatham Lodging Trust, Highgate Holdings, Host Hotels & Resorts, Hyatt Corp., Rockwood Capital, Summit Hotel Properties Inc., Sunstone Hotel Investors Inc. and Xenia Hotels & Resorts Inc.

The Tax Cuts and Jobs Act, which is now a law, is generating considerable optimism with anticipation that a pro-growth environment will stimulate economic expansion and further increase demand for transient business and group hotel accommodations in the United States. Given the daily leasing and constant repricing of hotel rooms, the sector represents a well-positioned hedge for any downside risk if the national economy enters a period of "overheating" characterized by rising inflation and higher interest rates.

Barring any black swan event(s), the near-term outlook for lodging remains positive with strong sector investment activity, despite muted RevPAR growth expectations. US hotels will continue to lure domestic and foreign investment and institutional capital will continue to be deployed into single assets and portfolios. Robust investor appetite is expected to continue, with greater participation from a wider array of equity sources. The stars continue to remain aligned and the fundamentals of the U.S. lodging industry are simultaneously favorable to buy, sell, refinance, and develop a variety of lodging product types.

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