

# U.S. hotel transactions off to a strong start in 2018

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Low interest rates, although climbing, continue to drive a search for yield that is drawing capital into commercial real estate—particularly hotels, according to Daniel Lesser, president and CEO of LW Hospitality Advisors.

The LW Hospitality Advisors Q1 2018 Major U.S. Hotel Sales Survey from Lesser and LWHA shows that the United States saw an uptick in transactions in the first quarter of 2018 compared with the same period in 2017.

The survey included 57 single-asset transactions of more than \$10 million. None of the hotels were part of a portfolio, and the transactions totaled about \$4.3 billion. The assets included approximately 13,100 rooms with an average per-room sales price of \$332,000.

Lesser pointed out that the figures were skewed due to the inclusion of the Sands Casino Bethlehem in Bethlehem, Pa., which sold for \$1.3 billion, or \$4.3 million per room. Additionally, the 40-room Soho House Chicago sold for \$95 million, or \$2.4 million per room. When these two transactions are excluded from the data, total first-quarter 2018 U.S. transaction volume stands at about \$2.9 billion, with approximately 12,700 hotel rooms selling for an average per-room price of \$231,000.

By comparison, the LW Hospitality Advisors Q1 2017 Select Major U.S. Hotel Sales Survey found 54 transactions totaling about \$3.6 billion, with 13,200 hotel rooms selling for an average per-room price of about \$273,000.

“There’s a debate going on as to whether we are late in the cycle or at the beginning of a new cycle,” Lesser told Hotel Management. “I’m in the minority view that we are in a new cycle. That could be a reason for the uptick [in transactions].”

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Eleven major hotel sales in the first quarter of 2018 happened in Florida; seven were in California; and five each occurred in Maryland and New York.

"Florida is hot, no pun intended," Lesser said. "At the end of the day, the cost of living is very attractive in Florida versus the Northeast states."

For example, Lesser pointed out that some major companies are moving their headquarters to Florida. Starwood Capital, for one, recently moved from Connecticut to Miami Beach.

"It's emblematic of why Florida is so desirable. Florida is a gateway to Central and South America," Lesser added.

## To Buy or Sell?

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But will 2018 be the year to buy or sell? Lesser said it depends on the market.

"The hotel business has always been a neighborhood business. It's submarket-driven, and within submarkets, it's project-specific," he said. "Some markets it will be great to buy; other markets it will be great to sell. There is no blanket answer."

However, Lesser called out in his report that several recent portfolio mergers and acquisitions in the U.S. augur well for the sector, including:

- Host Hotels & Resorts entered into a \$1-billion contract to purchase the 301-room Andaz Maui in Hawaii; the 668-room Grand Hyatt San Francisco; and the 454-room Hyatt Regency Coconut Point in Bonita Springs, Fla. The contract equates to about \$703,000 per room.
- Brookfield Asset Management agreed to a \$767.7-million acquisition of 107 WoodSpring Suites hotels.
- Choice Hotels International acquired the WoodSpring Suites brand and franchise business for \$231 million.
- Wyndham Hotel Group recently agreed to acquire AmericInn for \$170 million as well as La Quinta Inns & Suites' franchise and management businesses for \$1.95 billion.
- RLH Corporation agreed to acquire the Knights Inn brand from Wyndham Hotel Group for \$27 million.