

US Q3 hotel deals see price drop

25 October 2011 9:34 AM
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Story Highlights

The number of Q3 hotel deals fell to 17 from 37 during the second quarter.

"If debt was available, it would definitely grease the skids a lot better," said Dan Lesser, president and CEO of LW Hospitality Advisors.

More than 75% of deals during the third quarter took place on U.S. coasts or in Hawaii.

REPORT FROM THE U.S.—It's not just the number of U.S. hotel deals that are decreasing, but the average deal size, too.

Average deal size during the third quarter was US\$39.88 million, down from US\$93.39 million during the second quarter of 2011, according to LW Hospitality Advisor's "YTD Q3 2011 Select Major U.S. Hotel Sales Survey." The number of third-quarter trades fell to 17, from 37 during the second quarter.

The 2011 transactions data listed below reflect a "dramatic, screeching halt" in hotel deals during the third quarter, said Dan Lesser, LW's president and CEO.

The survey tracks single-asset deals valued at more than US\$10 million that are not part of a portfolio transaction.



Dan Lesser, president and CEO, LW Hospitality Advisors

Quarter	Total trades	Total rooms	Average number of rooms	Total US\$ volume	Average size deal	US\$ volume per room
Q1	29	11,138	384	US\$2,642,370,000	US\$91,116,207	US\$237,239
Q2	37	11,088	300	US\$3,455,600,000	US\$93,394,595	US\$311,652
Q3	17	3,941	232	US\$677,975,000	US\$39,880,882	US\$172,031
Totals	83	26,167	315	US\$6,775,945,000	US\$81,637,892	US\$258,950

Source: LW Hospitality Advisors

"It got quite heated there" at the beginning of 2011, Lesser said.

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A general lack of financing availability in the marketplace has helped quash hotel transactions, he said.

"If debt was available," he said, "it would definitely grease the skids a lot better."

Market liquidity

While debt can be difficult to find, there still is, however, a lot of liquidity in the market, Lesser said.

As recently exemplified by real-estate investment trust LaSalle Hotel Properties, all this cash can help push deals through.

The REIT earlier this month announced it bought the 182-room Villa Florence in San Francisco for US\$67.2 million.

LaSalle's president and CEO Michael Barnello said the company did not use leverage in the deal. "I'm not so sure next time (LaSalle buys a hotel) we will put debt on that property either," he said during a telephone interview with HotelNewsNow.com.

Lesser said now that most public REITs are out of the buying game thanks to declines in their stock price—and, by extension, their capital base—investors based outside the United States might have an opportunity to step up.

"They're always looking for a safe place to invest," he said. "This (the U.S.) is, and always will be, the safest place on the planet to invest."

Study takeaways

Other key takeaways from LW's study include:

- A total of 13 (or more than 75%) of deals took place on U.S. coasts or Hawaii.
- Six deals, or more than one-third, involved hotels in California.
- The Hyatt on Capitol Square in Columbus, Ohio, sold for 10.5%, or US\$10.5 million, less than its previous sales price in 2007.
- Several deals announced during the third quarter have yet to close.