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3 things to know about U.S. hotel transactions in Q3



The largest overall purchase price in Q3 came out of Boca Raton, Fla., with the 1,047-room Boca Raton Resort and Club, A Waldorf Astoria Resort selling for \$1 billion. Photo credit: Hilton

Hotel transactions in the United States continue to boom thanks to a steady economy and favorable outcomes from tax-law changes.

According to the LW Hospitality Advisors "Q3 2018 Major US Hotel Sales Survey," 57 single-asset sales, each at least over \$10 million and not part of a portfolio deal, traded during the third quarter. The deals totaled about \$6.4 billion with an average sale price of \$419,000.

Here are three things to know from the data:

1. Florida was the Most Active

Florida had the most transactions during the third quarter of 2018, clocking in at 13 major deals. New York followed with eight big transactions, and California was close behind with seven.

The largest deal in Florida, when looking at price per room, was MSD Capital's purchase of the 426-room 1 Hotel South Beach in Miami Beach from a joint venture between Starwood Capital Group, Invesco and LeFrak Organization. The hotel sold for \$500 million, or nearly \$1.2 million

per key.

2. One-Third of Major Deals Traded Over \$100m

Of the 57 major U.S. deals that changed hands during the third quarter, 18 hotels were sold for more than \$100 million. Eleven of those deals sold for between \$100 million and \$200 million, while two of the deals traded for between \$200 and \$300 million. Five deals had price tags of more than \$300 million.

3. Large Trades Happened in NYC, Florida

The largest price-per-room deal during the third quarter was the 282-room Plaza Hotel in New York City. Katara Holding purchased the property from a joint venture of Sahara U.S. Corporation, Ashkenazy Acquisition Corporation and Kingdom Holding Company for \$600 million, or \$2.1 million per room.

The largest overall purchase price came out of Boca Raton, Fla., with the 1,047-room Boca Raton Resort and Club, A Waldorf Astoria Resort selling for \$1 billion, or \$955,110 per room. A joint venture between Lubert-Adler and RIDA Development purchased the property from Blackstone.

Looking Ahead

Daniel Lesser, president and CEO of LW Hospitality Advisors, noted that limited availability of a labor force as well as rising costs of that labor, and increasing insurance and property taxes will present major challenges for the U.S. hotel industry. Rising interest rates also have the ability to create upward pressure on inflation and operating expenses.

Additionally, he said the risk for a recession is higher now than it has been during the past five years. Some things that could upset the apple cart include global trade policy tensions, an emerging market debt crisis and an unforeseen shock. But, Lesser noted that any black swan events would need to be large and sustained in order to weaken growth in the economy.

“As long as U.S. economic expansion endures, the outlook for lodging fundamentals will remain positive resulting in continued deployment of domestic and foreign investment, and institutional capital into single assets and portfolios of all types and locations of U.S. hotels,” he said.

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