

# Where the largest U.S. hotel deals traded in Q3

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Development Revenue growth doesn't mean profits for Europe hotels: HotStats by Jena Tesse Fox Nov 12, 2019 5:11pm

As revenue-per-available-room growth slows, analysts continue to downgrade their outlook for the United States hotel industry amid larger economic concerns.

However, through August, the industry's expansion cycle reached 114 months, and RevPAR growth only declined two

months during this period, specifically during August 2018 and in June 2019, according to the recently released LW Hospitality Advisors' "Q3 2019 Select Major U.S. Hotel Sales Survey." Hotel supply and demand were in lockstep, resulting in flat occupancy levels and tame RevPAR growth stemming from average-daily-rate increases barely equal to inflation (and decelerating), according to the report. Those figures are having their effect on the hotel transaction landscape.

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With more than 28 percent fewer trades and a 42 percent decline in total sales dollar volume during the third quarter of this year, the report noted that the U.S. hotel transaction market has slowed when compared to the previous year's quarter, along with a growing disconnect between seller prices and buyers' bids. This year's third-quarter survey comprised 41 single-asset sale transactions of more than \$10 million, none of which are part of a portfolio. These transactions totaled \$3.7 billion and included about 13,100 hotel rooms with an average sale price of \$283,000 per room. By contrast, the third-quarter 2018 survey saw 57 deals with 15,300 rooms equaling about \$6.4 billion in total deal volume, with an average sale price of \$419,000.



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Following are some notable deals from the report.

### Winners: Florida and California

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Of the total number of transactions completed during the third quarter, 30 percent occurred in two states. Florida saw seven deals trade hands, while California traded five.

Based on price per room, the biggest deal in Florida was the sale of the 92-room Richmond Hotel in Miami Beach, which a joint venture between Deutsche Finance America, Bilgili Holding and SHVO purchased from sellers Patti and Allan Herbert. The hotel sold for \$87.9 million, or \$955,435 per room.

In California, the Hyatt Regency La Jolla at Aventine in San Diego nabbed the top spot in terms of purchase price per room. Gaw Capital Partners bought the 417-room hotel from a joint venture between Walton Street Capital and JMA Ventures for \$147 million, or \$352,518 per room.

### Not Such a Winner: New York City

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Perhaps unsurprisingly, the Big Apple didn't fare well for hotel deals. The market only saw one sale during the third quarter. That's following a disappointing second quarter, when the city notched zero sales.

This year during the third quarter, Brookfield Property Partners L.P. purchased the 222-room Kimpton Ink48 Hotel from PGIM Real Estate for \$82.7 million, or \$372,523 per room.

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### Pretty Big Deal: Four Seasons Hotel One Dalton Street, Boston

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On a price-per-key basis, this hotel recorded the largest overall deal during the quarter. Carpenter & Company sold the 215-room hotel to Bahrain-based Premier Group WLL for \$268 million, or nearly \$1.25 million per key.

### Trend Alert: University Acquisitions

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Suffolk University acquired the 114-room Ames Boston Hotel from Invesco Real Estate for \$557,018 per key. Daniel Lesser, president and CEO of LW Hospitality Advisors and author of the report, said this transaction points to a few key trends.

First, universities are facing challenges to obtain land and options for student housing, especially in urban locations, he said. Second, development sites in urban gateway U.S. markets are trading at a premium. Third, investors and buyers have started to think outside the box and are willing to pay in order to meet their development goals. Finally, Lesser said hotel room supply doesn't always grow.

"Fluctuating markets often result in changing highest and best property uses culminating in lodging facilities being converted or demolished to make way for alternative income-producing opportunities," he said.

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