

# Q2 2020 Major US Hotel Sales Survey

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By Daniel H. Lesser

The year 2020 will not be soon forgotten as the spread of COVID-19 and society's reaction to the virus have combined to devastate the global economy. U.S. GDP in the second quarter declined by 32.9 percent on an annualized basis, the most significant quarterly decline observed since the 1940's. While the stock market has rebounded considerably from its lows and seems to be reflecting an optimistic view regarding an economic recovery, base case will be a slow and very bumpy re-opening of the economy. Legislators and their public health advisors struggle to balance the desire to get people back to their lives with the fear of causing a second and possibly third wave of illness and death. With those concerns, and as long as the federal government is willing to print and distribute money, it would seem reasonable that the choice will be to opt to err on the side of preventing further spread of the virus, which will augur for a slower re-opening.

Many believe that a full return to pre-COVID-19 behavior may not occur until a vaccine that the mainstream media, policymakers, and medical society have blessed and is broadly disseminated. Even taking a more optimistic approach – that most people regain confidence only after a staged economic re-opening that averts triggering a disastrous second wave outbreak, would still not lead to a full return to normalcy for a year or longer. In either case, the reversal of economic devastation will most likely be measured in years, and that does not begin to factor in the unknowable implications that will need to be dealt with as a result of massive government stimulus programs (both past and future) and inflation of its debt levels.

There have been some significant economic downturns over the past forty years, and with the benefit of hindsight, each has presented wonderful investment opportunities. It appears that this downturn may very well produce a period that rivals the very best in both returns and depth of opportunity. Hotels have been one of the hardest hit sectors by the coronavirus pandemic given the widespread reduction in corporate, group, and leisure travel across the U.S. Many property owners, seduced by historically low interest rates, entered this era with healthy levels of leverage. Now with severely impacted net incomes for most property types (specifically larger, full-service hotels), the seeds for broad distress are now planted. Like prior downturns, many anticipate deep distress will produce increasing levels of loan defaults, which will likely continue for some time.

The LW Hospitality Advisors (LWHA) Q2 2020 Major U.S. Hotel Sales Survey includes 6 announced single asset sale transactions over \$10 million, none of which are part of a portfolio. These transactions totaled roughly \$246 million and included approximately 1,459 hotel rooms with an average sale price per room of roughly \$169,000. By

comparison, the LWHA Q2 2019 Major U.S. Hotel Sales Survey identified 35 transactions totaling roughly \$2.6 billion including 9,100 hotel rooms with an average sale price per room of \$286,000. Comparing Q2 2020 with Q2 2019, the number of trades decreased by approximately 83 percent while total dollar volume declined roughly 91 percent and sales price per room dropped by 41 percent. The Q2 2020 sales include:

The Buccini/Pollin Group (BPG) acquired the 622 room Renaissance Baltimore Harborplace Hotel in Baltimore, MD for \$80 million or \$129,000 per unit. In January 2020, BPG signed a contract to purchase the hotel for \$100 million. During March 2020 when the COVID-19 crisis hit the U.S. in earnest, the seller, Sunstone Hotel Investors Inc., agreed to lower its clearing price resulting in a 20 percent decline. This trade is the first major U.S. hotel sale transaction that has produced market-based evidence of perceived value erosion because of the COVID-19 pandemic.

BentallGreenOak (BGO), Flank Management LP (Flank), and Geolo Capital (Geolo) announced in June the acquisition of the Hutton Hotel in Nashville, Tenn., in an all-cash \$70 million or \$280,000 per room purchase price. The seller, Watermark Lodging Trust (formerly known as Carey Watermark Investors Inc.), reportedly acquired the property in 2013 for \$73.6 million and The Wall Street Journal recently published that, *“The 250-room hotel was valued between \$90 million to \$100 million before the COVID-19 outbreak, according to people familiar with the matter.”*

Pebblebrook Hotel Trust (NYSE: PEB) executed a contract to sell the 125-room Union Station Hotel Nashville, Autograph Collection in Nashville, TN for \$56.0 million or \$448,000 per room to Southwest Value Partners. According to PEB, *“The transaction is subject to normal closing conditions, and PEB offers no assurances that the sale will be completed on these terms, or at all. PEB is targeting to complete the sale in the third quarter of 2020.”*

Boynton Property Holdings LLC purchased the Courtyard by Marriott Boynton Beach, FL for \$19 million or \$111,000 per room from Boulder Hotel Management. The deal for the 8.1-acre property included the 171-room hotel with 18 two-bedroom luxury townhouse rental units, a Buffalo Wild Wings restaurant, and a preschool.

The 113-key Quality Inn & Suites by the Parks in Kissimmee, FL was sold by Rosemont Hotels Inc. for \$10,550,000 or \$93,400 per unit to Japan based Sarasa Hotels Ltd.

SureStay Plus Hotel by Best Western Clearwater Central, Clearwater, FL sold for \$10.5 million or \$59,000 per unit. The 178-room hotel sits on nearly 5 acres of land and was originally built as a Hampton Inn.

While the post-COVID-19 environment may meaningfully reduce demand for commercial real estate, past downturns no matter how painful, have always been followed by recoveries during which new highs were achieved for both rental rates as well as property valuations. With the unprecedented amount of fiscal and monetary stimulus activity already committed to, and yet more likely to come, it is reasonable to expect that this trend will hold true once again in the coming years.

Although the world is currently in uncharted territory, having recovered from prior economic and demand shocks, America's hotel industry has a proven track record of resiliency. The fact is that over a long-term basis, commercial real estate and particularly hotels offer superior risk adjusted yields compared with other investment classes focused on value-add opportunities.

## SELECT MAJOR U.S. HOTEL SALES SURVEY - Q2 2020

Q	PROPERTY	LOCATION	NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q2	Courtyard By Marriott Boynton Beach	Boynton Beach	FL 171	\$19,000,000	\$111,111	Boynton Property Holdings LLC	Boulder Hotel Boynton Beach LLC
Q2	SureStay Plus Hotel by Best Western Clearwater Central	Clearwater	FL 178	\$10,500,000	\$58,989	Pinellas Corridor LLC	Clearwater 2018 LLC
Q2	Quality Inn & Suites By the Parks	Kissimmee	FL 113	\$10,550,000	\$93,363	Sarasa Hotels Ltd.	Rosemont Hotels Inc.
Q2	Renaissance Baltimore Harborplace	Baltimore	MD 622	\$80,000,000	\$128,617	Buccini/Pollin Group	Sunstone Hotel Investors
Q2	Hutton Hotel	Nashville	TN 250	\$70,000,000	\$280,000	JV BentallGreenOak, Flank Management LP), & Geolo Capital	Carey Watermark Investors Inc.
Q2	Union Station Hotel Nashville, Autograph Collection	Nashville	TN 125	\$56,000,000	\$448,000	Southwest Value Partners	Pebblebrook Hotel Trust

## SELECT MAJOR U.S. HOTEL SALES SURVEY - YTD Q2 2020

Q	PROPERTY	LOCATION		NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q1	Element Chandler Fashion Center	Chandler	AZ	107	\$16,600,000	\$155,140	Trimark Property Group	Glacier House
Q1	Sheraton Grand Phoenix	Phoenix	AZ	1003	\$268,000,000	\$267,198	Blackstone Group	Marriott International
Q1	Sheraton Park Hotel at the Anaheim Resort	Anaheim	CA	486	\$52,500,000	\$108,025	Taconic Capital Advisors L.P.	CW Capital Asset Management LLC
Q1	Napa Winery Inn	Napa	CA	59	\$12,900,000	\$218,644	Pacifica Companies	N/A
Q1	Hilton San Jose	San Jose	CA	353	\$117,550,000	\$333,003	N/A	Han's Holding Group Co.
Q1	Embassy Suites by Hilton Washington DC Georgetown	Washington	DC	197	\$90,400,000	\$458,883	EOS Investors LLC	Park Hotels & Resorts Inc.
Q1	Thompson Washington D.C. <sup>1</sup>	Washington	DC	225	\$120,000,000	\$533,333	Union Investment	JV Geolo Capital & JW Capital Partners
Q1	Bellmoor Inn and Spa	Rehoboth Beach	DE	78	\$17,300,000	\$221,795	EOS Investors LLC	Beacon Hospitality
Q1	Residence Inn by Marriott Boca Raton	Boca Raton	FL	120	\$14,250,000	\$118,750	JV Neman Ventures & Waterstone Capital	Blackstone Group
Q2	Courtyard By Marriott Boynton Beach	Boynton Beach	FL	171	\$19,000,000	\$111,111	Boynton Property Holdings LLC	Boulder Hotel Boynton Beach LLC
Q2	SureStay Plus Hotel by Best Western Clearwater Central	Clearwater	FL	178	\$10,500,000	\$58,989	Pinellas Corridor LLC	Clearwater 2018 LLC
Q1	Residence Inn Amelia Island	Fernandina Beach	FL	133	\$15,000,000	\$112,782	MJ Amelia Owner LLC	Amelia Island Hotel Group LLC

*1) Geolo and JW Capital Partners joint venture will remain a long-term tenant, leasing the property back from Union Investment and overseeing management of the asset*

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Q	PROPERTY	LOCATION		NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q1	Hampton Inn Ft. Lauderdale Airport North Cruise Port	Ft. Lauderdale	FL	109	\$17,300,000	\$158,716	Privé Group	Apple Hospitality REIT
Q2	Quality Inn & Suites By the Parks	Kissimmee	FL	113	\$10,550,000	\$93,363	Sarasa Hotels Ltd.	Rosemont Hotels Inc.
Q1	Blue Moon Hotel	Miami Beach	FL	75	\$30,000,000	\$400,000	N/A	Hersha Hospitality Trust
Q1	Seagull Hotel Miami Beach	Miami Beach	FL	172	\$120,000,000	\$697,674	BHI Miami Limited	JHG Holdings Miami Owner LLC
Q1	Shelborne South Beach	Miami Beach	FL	275	\$120,000,000	\$436,364	JV King Street Real Estate GP LLC & Westdale Properties & Cedar Capital Partners	W.P. Carey Inc.
Q1	Castle Hotel, Autograph Collection	Orlando	FL	214	\$37,000,000	\$172,897	Waramaug Hospitality	Starwood Property Trust Inc.
Q1	Hampton Inn & Suites Tampa Busch Gardens Area	Tampa	FL	84	\$13,000,000	\$154,762	N/A	Tampa Rollercoaster Hotels LLC
Q1	Holiday Inn Express Waikiki	Honolulu	HI	596	\$205,000,000	\$343,960	N/A	N/A
Q1	Sheraton Hotel Louisville Riverside	Jeffersonville	IN	180	\$13,500,000	\$75,000	808 Indiana LLC	Sotherly Hotels Inc.
Q1	Eldorado Resort and Casino	Shreveport	LA	400	\$230,000,000	\$575,000	Maverick Gaming	Eldorado Resorts
Q2	Renaissance Baltimore Harborplace	Baltimore	MD	622	\$80,000,000	\$128,617	Buccini/Pollin Group	Sunstone Hotel Investors
Q1	Superior Shores Resort	Two Harbors	MN	131	\$15,000,000	\$114,504	North Shore Resort Co.	N/A

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Q1	Hilton Garden Inn Winston-Salem/Hanes Mall	Winston-Salem	NC	112	\$15,600,000	\$139,286	Hotel Ventures of Pineville, Inc.	Creekshire Hotel LLC
Q1	Harrah's Reno <sup>2</sup>	Reno	NV	928	\$50,000,000	\$53,879	CAI Investments	JV Caesars Entertainment & Vici Properties
Q1	La Quinta Inn & Suites by Wyndham Brooklyn East	Brooklyn	NY	46	\$10,000,000	\$217,391	N/A	RiverBrook Equities
Q1	Duane Street Hotel	New York	NY	43	\$20,000,000	\$465,116	N/A	Hersha Hospitality Trust
Q1	DoubleTree by Hilton Hotel Nashville Downtown	Nashville	TN	341	\$100,000,000	\$293,255	JV AWH Partners & Inland Real Estate Group of Companies Inc.	Walton Street Capital
Q1	Hotel Indigo Nashville	Nashville	TN	161	\$59,250,000	\$368,012	JMI Realty	Winston Hotels
Q2	Hutton Hotel	Nashville	TN	250	\$70,000,000	\$280,000	JV BentallGreenOak, Flank Management LP), & Geolo Capital	Carey Watermark Investors Inc.
Q1	Hyatt House Nashville/Downtown-SoBro	Nashville	TN	217	\$57,800,000	\$266,359	Noble Investment Group	Mountain Shore Properties
Q2	Union Station Hotel Nashville, Autograph Collection	Nashville	TN	125	\$56,000,000	\$448,000	Southwest Value Partners	Pebblebrook Hotel Trust
Q1	Renaissance Austin Hotel	Austin	TX	492	\$100,500,000	\$204,268	N/A	Xenia Hotels & Resorts
Q1	Home2 Suites by Hilton Lubbock	Lubbock	TX	100	\$14,200,000	\$142,000	Lodging Fund REIT III	N/A
Q1	Residence Inn by Marriott Herndon Reston	Herndon	VA	168	\$17,250,000	\$102,679	JV Pinkard Group & Stonebridge Companies	MSCI 2007-TOP27 Elden Street LLC

2) Buyer will reportedly shutter the casino hotel and redevelop the property as Reno City Center, a proposed mixed use complex slated to include rental apartments, office and retail space.