

How Hotel Sales Performed in Q3

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Today's global travel sector, which many characterize as being "on the brink of collapse," is simply unprecedented. Seven months into a 100-year worldwide pandemic which caused a swift, wide, and deep economic recession has decimated key travel and leisure related industries including airlines, car rentals, cruise lines, ridesharing, and tour operators. While stock markets have rebounded to near record levels, the US lodging industry continues to experience crippling stress as travel demand, which has experienced a sharp and sustained decline, continues to significantly lag pre-pandemic levels. Although most segments of lodging demand came to an abrupt halt during the COVID-19 crisis, hotels located in urban markets, particularly group and meeting/convention-oriented properties, have been most negatively impacted and will likely take the longest period to recover.

The LW Hospitality Advisors (LWHA) Q3 2020 Major U.S. Hotel Sales Survey includes 12 single asset sale transactions over \$10 million, none of which are part of a portfolio. These transactions totaled \$829 million and included approximately 2,700 hotel rooms with an average sale price per room of \$306,000. By comparison, the LWHA Q3 2019 Major U.S. Hotel Sales Survey identified 40 transactions totaling roughly \$3.725 billion including 13,100 hotel rooms with an average sale price per room of nearly \$283,000. Comparing Q3 2020 with Q3 2019, the number of trades decreased by approximately 70 percent while total dollar volume declined roughly 78 percent and sales price per room increased by roughly 8 percent.

Noteworthy observations include:

- Three trades occurred in California and two sales transpired in the States of Arizona, Massachusetts, and New York.

- Five trades were consummated for \$100 million or more each.

- Two trades transpired for greater than \$700,000 per unit.

The Q3 2020 Major U.S. Hotel Sales include:

Acorn Development LLC, an Amazon subsidiary, acquired from Blackstone the 299 key Residence Inn by Marriott Arlington Pentagon City in Arlington, VA for \$148.5 million or nearly \$500,000 per unit. Amazon plans to demolish the 24-year-old high rise hotel and incorporate the 1.5-acre site into their HQ2 PenPlace Development. In mid-2019, the seller, Blackstone, purchased the property for \$99.1 million from Host Hotels & Resorts, Inc. (HST). The latest transaction represents an approximate 50% profit within one year for Blackstone. The current trade is remarkable in that Amazon's HQ2 plans were widely known when HST sold the asset to Blackstone last year.

Magna Hospitality Group purchased the 310 key Embassy Suites by Hilton New York Manhattan Times Square in New York, NY for a reported purchase price of \$115.1 million or roughly \$371,000 per unit. The seller, Ashford Hospitality Trust Inc. (AHT), acquired the property in early 2019 for \$195 million, representing a 41% decline in value during their 18-month hold.

Xenia Hotels & Resorts, Inc. (XHR) announced the sale of the 221-room Residence Inn Boston Cambridge in Cambridge, Massachusetts for \$107.5 million, or approximately \$486,000 per key. The sale price represents a 11.6x multiple and a 7.8% capitalization rate on the hotel's 2019 Hotel EBITDA and net operating income, respectively.

A planned auction of the Viceroy L'Ermitage Beverly Hills in Beverly Hills, CA was canceled after no buyer stepped up to bid more than the \$100-million (\$862,000 per unit) base price established by an unidentified "stalking horse" bidder. The U.S. government seized the hotel in 2016 from a fugitive overseas financier who acquired the property for \$46 million in 2010, reportedly with embezzled funds. The U.S. District Court for the Central District of California subsequently appointed a special master to facilitate a sale transaction.

Xenia Hotels & Resorts, Inc. (XHR) announced the sale of the 275-room Napa Valley Marriott Hotel & Spa in Napa, CA for \$100 million or roughly \$365,000 per unit. Inland American Lodging Group, Inc., XHR's predecessor, previously acquired the asset in mid-2011 for \$72 million.

Apple Hospitality REIT, Inc. (APLE) acquired the new 105-room Hyatt House and 154-room Hyatt Place in Tempe, Arizona for \$64.6 million, or approximately \$249,000 per key. In 2018, APLE contracted with a joint venture that included Catellus & Mortenson Development to develop the hotels and secured the purchase price prior to the start of construction.

A joint venture between BLVD Hospitality, Global Mutual, and ESI Ventures purchased from 4DS LP the 84 room Georgian Hotel in Santa Monica, CA for \$62.5 million or nearly \$745,000 per unit. The iconic art deco boutique property which was built in 1933 and last sold in 1991, is commonly referred to as Santa Monica's "First Lady."

A joint venture comprised of Highgate and Rockpoint Group sold to MCR the 168 room Royalton New York hotel for a reported \$40.8 million, or \$243,000 unit. During the past decade, the property has sold twice, representing a decline in pricing on each occasion. The current seller had acquired the asset for \$55 million in 2017 from FelCor Lodging Trust Inc., and who in turn had paid \$88 million for the property in 2011. Highgate, a dominant hotel investment and manager in gateway markets throughout the nation, and the largest hotel operator in New York City, has a terrific track record of success. The current trade is intriguing in that it will be interesting to see what MCR does to reinvent the asset.

The 97-unit Gold Canyon Golf Resort and Spa in Gold Canyon, AZ sold for \$29.43 million or \$303,000 per key. The 370-acre property situated roughly 40 miles east of Phoenix, AZ includes two 18-hole championship golf courses and 67 acres of developable land.

Vinakom Communications purchased the 568 room DoubleTree by Hilton Bloomington Minneapolis South for \$26 million or roughly \$46,000 per unit. During the past several years, the buyer has diversified its investments through the acquisition of hotels and office buildings.

The historic 57 room Kelley House Hotel in Edgartown, MA was acquired by private equity firm Blue Flag Partners for \$19.64 million or nearly \$345,000 per room. The property, which is situated on the seasonal island of Martha's Vineyard, dates to 1742 and after more than 275 years is one of the five oldest hotels in the U.S.

The Estate Cos., a South Florida based developer of luxury multi-family communities, purchased a five-acre site occupied by a 258-room former Ramada Hotel in Hialeah, FL for \$15.25 million or \$59,000 per unit. The property last sold in 2014 for \$13.5 million.

Human behavioral and consumer patterns have changed as many are not eager to enter closed environments with recirculated air, and no owner or hotel company has a playbook for what has been and looks like will continue to be a prolonged near shutdown of travel.

The onset of the COVID-19 pandemic earlier this year has resulted in a reset in hotel property values. Many market participants are struggling to determine an applicable discount to pre-COVID levels. Q3 2020 was the second consecutive quarter during which

U.S. hotel market transaction activity remained anemic with a relatively wide bid ask spread. Sellers have expressed willingness to consider a 10 to 15 percent discount to pre-COVID pricing while buyers are interested in transacting at a 20 to 40 percent reduction to pre-COVID values. Price discovery will only be clarified once an active hotel transaction market reemerges.

Although the near-term travel market appears bleak, the hotel investment market has seen a surge of interest from a broad array of sophisticated institutional and high net worth sponsors who are familiar with the sector and know how to assess risk(s) associated with capitalizing lodging assets. Pre-COVID hotel investor returns generally reached new lows as asset prices were relatively high. Today, with mounting operational losses, especially for larger, full-service assets, and the continued requirement to service debt(s), pressure is intensifying on owners to capitulate to realistic property values, which will ultimately enhance returns on lodging investments for buyers in the market today.

Long term opportunistic investors that bet big, at the right basis, and early in the cycle will likely reap tremendous financial rewards, particularly contrarian sponsors who acquire large urban corporate and group meeting/convention hotels at fractions of replacement cost. I believe it fair to say that in the not too distant future, well capitalized opportunistic participants in the U.S. hotel industry will generate outsized returns by acquiring and investing in loans, assets, and operating companies at historically low prices.

Daniel H. Lesser is president and CEO of LW Hospitality Advisors.

SELECT MAJOR U.S. HOTEL SALES SURVEY - Q3 2020

Q	PROPERTY	LOCATION		NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q3	Gold Canyon Golf Resort & Spa	Gold Canyon	AZ	97	\$29,430,000	\$303,402	Gold Canyon MJ LLC	GCG Holdings LLC
Q3	Hyatt Place / Hyatt House Tempe Downtown ¹	Tempe	AZ	259	\$64,600,000	\$249,421	Apple Hospitality REIT, Inc.	JV Catellus & Mortenson Development
Q3	Viceroy L'Ermitage Beverly Hills	Beverly Hills	CA	116	\$100,000,000	\$862,069	N/A	N/A
Q3	Napa Valley Marriott Hotel & Spa	Napa	CA	275	\$100,000,000	\$363,636	N/A	Xenia Hotels & Resorts
Q3	Georgian Hotel	Santa Monica	CA	84	\$62,500,000	\$744,048	JV BLVD Hospitality & Global Mutual & ESI Ventures	4DS LP
Q3	Ramada Hialeah/Miami Airport ²	Hialeah	FL	258	\$15,250,000	\$59,109	The Estate Companies	Jv Urban Commons & Others
Q3	Residence Inn Boston Cambridge	Cambridge	MA	221	\$107,500,000	\$486,425	N/A	Xenia Hotels & Resorts, Inc.
Q3	Kelley House Hotel	Edgartown	MA	57	\$19,640,000	\$344,561	Blue Flag Partners	PS Kelley LLC
Q3	DoubleTree by Hilton Bloomington Minneapolis South	Minneapolis	MN	568	\$26,000,000	\$45,775	Vinakom Communications	N/A
Q3	Embassy Suites by Hilton New York Manhattan Times Square	New York	NY	310	\$115,100,000	\$371,290	Magna Hospitality Group	Ashford Hospitality Trust Inc.
Q3	Royalton New York	New York	NY	168	\$40,800,000	\$242,857	MCR	JV Highgate & Rockpoint Group
Q3	Residence Inn by Marriott Arlington Pentagon City ³	Arlington	VA	299	\$148,500,000	\$496,656	Acorn Development (Subsidiary of Amazon)	Blackstone Group

1) Property improvements comprise a newly built dual-branded complex that buyer secured pricing prior to the start of construction in 2018

2) Purchaser is a local multifamily developer

3) Purchaser intends to demolish improvements to make way for the 1.5 acre parcel to be utilized as part of Amazon HQ2 development

SELECT MAJOR U.S. HOTEL SALES SURVEY - YTD Q3 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
Q3	Gold Canyon Golf Resort & Spa	Gold Canyon	AZ	97	\$29,430,000	\$303,402	Gold Canyon MJ LLC GCG Holdings LLC
Q1	Sheraton Grand Phoenix	Phoenix	AZ	1003	\$268,000,000	\$267,198	Blackstone Group Marriott International
Q3	Hyatt Place / Hyatt House Tempe Downtown ¹	Tempe	AZ	259	\$64,600,000	\$249,421	Apple Hospitality REIT, Inc. JV Catellus & Mortenson Development
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
Q3	Viceroy L'Ermitage Beverly Hills	Beverly Hills	CA	116	\$100,000,000	\$862,069	N/A N/A
Q3	Napa Valley Marriott Hotel & Spa	Napa	CA	275	\$100,000,000	\$363,636	N/A Xenia Hotels & Resorts
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.
Q3	Georgian Hotel	Santa Monica	CA	84	\$62,500,000	\$744,048	JV BLVD Hospitality & Global Mutual & ESI Ventures 4DS LP
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. ²	Washington	DC	225	\$120,000,000	\$533,333	Union Investment JV Geolo Capital & JW Capital Partners

1) Property improvements comprise a newly built dual-branded complex that buyer secured pricing prior to the start of construction in 2018

2) 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	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
Q1	Hampton Inn Ft. Lauderdale Airport North Cruise Port	Ft. Lauderdale	FL	109	\$17,300,000	\$158,716	Privé Group	Apple Hospitality REIT
Q3	Ramada Hialeah/Miami Airport ³	Hialeah	FL	258	\$15,250,000	\$59,109	The Estate Companies	Jv Urban Commons & Others
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.

3) Purchaser is a local multifamily developer

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Q	PROPERTY	LOCATION		NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
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
Q3	Residence Inn Boston Cambridge	Cambridge	MA	221	\$107,500,000	\$486,425	N/A	Xenia Hotels & Resorts, Inc.
Q3	Kelley House Hotel	Edgartown	MA	57	\$19,640,000	\$344,561	Blue Flag Partners	PS Kelley LLC
Q2	Renaissance Baltimore Harborplace	Baltimore	MD	622	\$80,000,000	\$128,617	Buccini/Pollin Group	Sunstone Hotel Investors
Q3	DoubleTree by Hilton Bloomington Minneapolis South	Minneapolis	MN	568	\$26,000,000	\$45,775	Vinakom Communications	N/A
Q1	Superior Shores Resort	Two Harbors	MN	131	\$15,000,000	\$114,504	North Shore Resort Co.	N/A
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 ⁴	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

4) 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.

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Q	PROPERTY	LOCATION		NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER
Q1	Duane Street Hotel	New York	NY	43	\$20,000,000	\$465,116	N/A	Hersha Hospitality Trust
Q3	Embassy Suites by Hilton New York Manhattan Times Square	New York	NY	310	\$115,100,000	\$371,290	Magna Hospitality Group	Ashford Hospitality Trust Inc.
Q3	Royalton New York	New York	NY	168	\$40,800,000	\$242,857	MCR	JV Highgate & Rockpoint Group
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
Q3	Residence Inn by Marriott Arlington Pentagon City ⁵	Arlington	VA	299	\$148,500,000	\$496,656	Acorn Development (Subsidiary of Amazon)	Blackstone Group
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

5) Purchaser intends to demolish improvements to make way for the 1.5 acre parcel to be utilized as part of Amazon HQ2 development