

Hotel Investment Sales Post Quarterly Decline

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While the U.S. economy continues to expand and is currently a major driver of global growth, inflation has recently ticked up after falling considerably from a peak of 9.1% nearly two years ago. Many now perceive that in the near term, the U.S. Federal Reserve will not reduce borrowing costs, and some anticipate a resumption of raising rates by early 2025. Unless a severe economic downturn occurs, interest rates are likely to remain relatively elevated for an extended period. A tight labor market and strong household net worth has led to remarkable resilience in U.S. consumer spending as Americans continue to enjoy experiences and travel. With this said, modest employment growth is anticipated as companies in certain industries are reducing headcounts while others are scaling back hiring.

Robust revenues, limited new supply, and significant capital inflows continue to fuel the U.S. hotel industry's extraordinary performance in the post-COVID era. However, cracks may be beginning to emerge with March 2024 RevPAR declining on a year-over year basis for the first time since February 2021. Group business demand, which was a laggard to rebound, is now healthy, while corporate individual travel maintains modest positive momentum. While leisure demand continues to thrive, the segment is challenged with many Americans traveling abroad coupled with a slow return of inbound overseas visitors particularly from Asia. During the near-term, moderate U.S. RevPAR growth is expected while operating expenses are projected to rise at a rate greater than inflation. Fundamentals of select urban markets including Boston and New York rival pre-pandemic levels while other downtown

cores including Chicago and San Francisco have runway to recovery. Finally, numerous hotels including many that are physically and/or functionally obsolete are being acquired for conversion and/or redevelopment to affordable, migrant, student, or supportive housing which represent a reduction in supply.

The LWHA Q1 2024 Major U.S. Hotel Sales Survey includes 66 single asset sale transactions over \$10 million which totaled nearly \$2.5 billion and included approximately 10,700 hotel rooms with an average sale price per room of \$230,000.

In comparison, the LWHA Q4 2023 Major U.S. Hotel Sales Survey included 86 sales that totaled just over \$3.0 billion and included approximately 13,900 hotel rooms with an average sale price per room of \$219,000. Comparing Q1 2024 with Q4 2023, the number of trades decreased approximately 23 percent while total dollar volume decreased roughly 18 percent and sale price per room increased 5 percent.

By further comparison, the LWHA Q1 2023 Major U.S. Hotel Sales Survey included 83 single asset sale transactions over \$10 million which totaled \$3.5 billion and included approximately 12,500 hotel rooms with an average sale price per room of \$279,000. Comparing Q1 2024 with Q1 2023, the number of trades decreased approximately 20 percent while total dollar volume decreased 30 percent and sale price per room decreased by roughly 18 percent.

Continued relatively high cost of debt has thus far not eased widened bid/ask spreads and continues to damper U.S. hotel sale investment volume. Additional noteworthy Q1 2024 observations include:

Eight trades or roughly 12 percent of the national quarter total occurred in the State of Florida, followed by seven sales or 11 percent of the national quarter in New York. Six trades or roughly 9 percent of the national quarter total occurred in the State of California and five sales or 8 percent of the national quarter in Arizona. Combined, twenty-six trades or 39 percent of the national quarter total occurred in Florida, New York, California, and Arizona.

Five major hotel sale transactions in the State of Arizona represented a grand total of \$768 million or 31 percent of Q1 2024 investment activity.

Three major hotel sale transactions in the State of Massachusetts represented \$309 million or 13 percent of Q1 2024 investment activity.

Seven major hotel sale transactions in the State of New York represented \$204 million or 8 percent of Q1 2024 investment activity.

Six major hotel sale transactions in the State of California represented \$165 million or 7 percent of Q1 2024 investment activity.

Finally, eight major hotel sale transactions in the State of Florida represented \$160 million or 7 percent of Q1 2024 investment activity.

Combined, twenty-nine trades in Arizona, Massachusetts, New York, California and Florida represented just over \$1.6 billion or 66 percent of Q1 2024 investment activity.

Blackstone sold the 705 room Arizona Biltmore, A Waldorf Astoria Resort in Phoenix, AZ for \$705 million, or one million dollars per unit to Henderson Park, a London-based private equity real estate manager. The transaction occurred nearly six years after Blackstone acquired the asset for roughly \$400 million from Singaporean sovereign wealth fund GIC, and subsequently renovated the property for more than \$150 million.

A joint venture between Certares and Belcourt Capital Partners acquired the 390 room Hilton Boston Back Bay in Boston, MA for \$171 million, or \$438,000 per unit from Ashford Hospitality Trust Inc.

RLJ Lodging Trust (NYSE: RLJ) purchased the 304 room Wyndham Boston Beacon Hill in Boston, MA for \$125 million, or \$411,000 per unit from Charles River Plaza Company. RLJ acquired the leased fee position which was previously subject to a ground lease set to expire in 2028.

Douglas Development sold the 234-room AC Hotel by Marriott Washington DC Convention Center in Washington DC for \$116.8 million, or \$499,000 per key to Apple Hospitality REIT, Inc. (NYSE: APLE).

The former 251 room Loews Minneapolis Hotel sold for \$23.5 million or \$93,625 per unit which represents a dramatic 65 percent decline from when the property last sold for \$65 million in 2014, when it was named the Graves 601 Hotel.

Institutional investment platforms, several of whom are lodging centric, transacted during Q1 2024.

- Examples of buyers include Cerates, Henderson Park, Peachtree Hotel Group, Pestana Hotel Group, RLJ Lodging Trust, and Marcus Hotels & Resorts.
- Examples of sellers include Apple Hospitality REIT, Inc., Ashford Hospitality Trust, Inc., AVR Realty, Blackstone, Chatham Lodging Trust, Douglas Development, GFI Capital Resources Group, McSam Hotel Group, Highgate, MCR, Noble Investment Group, OTO Development, Starwood Real Estate Income Trust, Inc., Summit Hotel Properties Inc., and Westmont Hospitality Group.

A sale transaction not included in the LWHA Q1 2024 Major U.S. Hotel Sales Survey is Tishman Realty's \$500 million sale of the 1,218 room Sheraton Grand Chicago Riverwalk in Chicago, IL. Marriott International (NASDAQ: MAR) acquired the property for \$411,000 per room as the seller exercised a put option under the terms of a 2017 legal settlement

surrounding MAR's acquisition of Starwood Hotels & Resorts Worldwide, Inc. (NYSE: HOT) in 2016. MAR paid \$300 million for the property's leasehold and an additional \$200 million to acquire the ground underneath the hotel based upon 2017 appraised values.

Assets with deferred brand mandated property improvement plans (PIP) are under pressure to complete them in a costly environment. Combined with \$195 billion in hotel loans maturing during the next three years, and/or rising technical defaults resulting from failing to meet debt service coverage ratios, property owners will be compelled to inject fresh capital which may require deal restructuring or an outright asset sale. During the latter half of this year, price discovery and value clarity will gain traction, transaction activity will increase, and hotels will remain a darling asset class, particularly during a sticky inflation environment.

Daniel H. Lesser is Co-Founder, President & CEO of LW Hospitality Advisors

SELECT MAJOR U.S. HOTEL SALES SURVEY - Q1 2024

Q PROPERTY	LOCATION	NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER	LARC SCORE	
Q1 avid hotel Bentonville - Rogers	Bentonville	AR	87	\$11,500,000	\$132,184	SC Petroleum, LLC	Continental Capital LLC	60
Q1 Hampton Inn Bentonville/Rogers & Homewood Suites by Hilton Bentonville-Rogers	Rogers	AR	248	\$33,500,000	\$135,081	UPX1725 Hospitality LLC	Apple Hospitality REIT	54
Q1 Holiday Inn Express & Suites Springdale Fayetteville Area	Springdale	AR	87	\$11,100,000	\$127,586	Sunset Galaxy Hotel LLC	Springdale Hotels LLC	43
Q1 Aloft Glendale at Westgate	Glendale	AZ	100	\$23,750,000	\$237,500	Bradford Allen	HCW Hospitality & Development	61
Q1 Arizona Biltmore	Phoenix	AZ	705	\$705,000,000	\$1,000,000	Henderson Park	Blackstone	77
Q1 Country Inn & Suites by Radisson, Phoenix Airport	Phoenix	AZ	88	\$11,210,000	\$127,386	PHX Air Lodging, LLC	RR Hotels Phoenix, LLC	84
Q1 Sleep Inn & Suites Tempe ASU Campus	Tempe	AZ	72	\$13,315,000	\$184,931	Aptitude Apache LLC	OM Hotels, LP	82
Q1 Super 8 by Wyndham Tempe/ASU/Airport ¹	Tempe	AZ	55	\$15,000,000	\$272,727	LV Apache GP, LLC	Dudley Oaks, LLC	82
Q1 Homewood Suites by Hilton Fresno & SpringHill Suites by Marriott Fresno	Fresno	CA	237	\$43,500,000	\$183,544	North Fresno Lodging, LP	BRE Hotels & Resorts LLC	57/66
Q1 SpringHill Suites by Marriott Lancaster Palmdale	Lancaster	CA	94	\$13,890,000	\$147,766	RRFSLM LLC	Ramji LLC	55
Q1 Residence Inn by Marriott Los Angeles LAX/Manhattan Beach	Manhattan Beach	CA	176	\$68,000,000	\$386,364	Land and Houses USA	Washington Holdings	74
Q1 Country Inn & Suites by Radisson, Ontario at Ontario Mills	Ontario	CA	117	\$18,250,000	\$155,983	West Hills Two Hospitality, LLC	S.D. Infinity LLC	52
Q1 Comfort Suites San Jose Airport ²	San Jose	CA	51	\$10,250,000	\$200,980	Santa Clara Housing Authority	Satyam 1050 Orange Drive LLC	75

1) Reportedly property will be redeveloped to student housing.

2) Reportedly property will be converted to supportive housing.

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Q PROPERTY	LOCATION	NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER	LARC SCORE
Q1 SureStay Plus By Best Western Yucca Valley Joshua Tree	Yucca Valley	CA 94	\$11,050,000	\$117,553	Sunrise Yucca Valley, Inc.	Steven Jun & Suk Kyong Koo	26
Q1 Millennium Harvest House Boulder ³	Boulder	CO 269	\$71,875,000	\$267,193	Landmark Properties	Millennium Hotels & Resorts	64
Q1 Hilton Garden Inn Denver Tech Center	Denver	CO 180	\$18,000,000	\$100,000	Peachtree Hotel Group	Chatham Lodging Trust	77
Q1 Hampton Inn & Suites Denver-Cherry Creek	Glendale	CO 133	\$18,000,000	\$135,338	NSR Hotels LLC	BRE Select Hotels Properties LLC	80
Q1 Holiday Inn & Suites Grand Junction Airport	Grand Junction	CO 119	\$11,000,000	\$92,437	2751 Crossroad LLC	Western Slope Lodging, LLC	50
Q1 AC Hotel by Marriott Washington DC Convention Center	Washington	DC 234	\$116,800,000	\$499,145	Apple Hospitality REIT, Inc.	Douglas Development	95
Q1 Comfort Inn & Suites Airport	Fort Myers	FL 90	\$10,500,000	\$116,667	RC Boatways RD, LLC	Shivam Sakhyam LLC	57
Q1 Courtyard by Marriott Fort Myers at I-75 and Gulf Coast Town Center & SpringHill Suites by Marriott Fort Myers Airport	Fort Myers	FL 240	\$41,248,830	\$171,870	Fort Myers Hotel One LLC	Starwood Real Estate Income Trust, Inc.	47/63
Q1 Circa 39 Hotel	Miami Beach	FL 97	\$25,550,000	\$263,402	CL Hotels	JV Black Salmon & AMS Hospitality	59
Q1 Quality Inn & Suites Golf Resort ⁴	Naples	FL 153	\$11,273,614	\$73,684	The Teale Golden Gate, LLC	R & M Real Estate Company, Inc.	60
Q1 Comfort Suites Lake Buena Vista	Orlando	FL 127	\$16,100,000	\$126,772	Pestana Orlando LLC	Pitibru Hotels, LLC	65
Q1 Floridian Express International Drive	Orlando	FL 218	\$17,500,000	\$80,275	BatiPart Immo US 5 Inc.	JTT Eagles, LLC	75
Q1 Courtyard by Marriott Tampa Northwest/Veterans Expressway	Tampa	FL 128	\$23,800,000	\$185,938	Prince Hospitality 2 LLC	Citrus Park Hotel DST	62

3) Reportedly buyer intends to demolish existing improvements and redevelop the site with a 303 unit, 936 bed student housing development.

4) Reportedly property will be converted to affordable housing.

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Q PROPERTY	LOCATION	NO. OF ROOMS	ESTIMATED SALES PRICE	ESTIMATED PRICE/ROOM	BUYER	SELLER	LARC SCORE
Q1 Holiday Inn Express & Suites Tampa -USF-Busch Gardens	Tampa	FL 123	\$14,200,000	\$115,447	Blessed Dream Real Estate, LLC	TT1 HIE Tampa, LLC	45
Q1 TRYP by Wyndham Savannah Downtown/Historic District	Savannah	GA 101	\$20,000,001	\$198,020	JV Shree Ram Hospitality, LLC & HD Companies 4, LLC	TBW Montgomery Hotel, LLC	75
Q1 Homewood Suites by Hilton Lafayette-Airport & Home2 Suites by Hilton Parc Lafayette	Lafayette	LA 235	\$25,500,000	\$108,511	OM Shanti OM Twelve LLC & OM Shanti OM Thirteen LLC	AVR Realty	60/58
Q1 Hilton Boston Back Bay	Boston	MA 390	\$171,000,000	\$438,462	JV Certares & Belcourt Capital Partners	Ashford Hospitality Trust Inc.	95
Q1 Wyndham Boston Beacon Hill ⁵	Boston	MA 304	\$125,000,000	\$411,184	RLJ Lodging Trust	Charles River Plaza Company	89
Q1 Holiday Inn Express Boston-Milford	Milford	MA 119	\$12,951,250	\$108,834	Fortune Forever, LLC	Fortune Boulevard Realty, LLC	42
Q1 Aloft Arundel Mills BWI Airport & Element Arundel Mills BWI Airport	Hanover	MD 289	\$31,555,000	\$109,187	Spark GHC	Noble Investment Group	46
Q1 Baltimore Marriott Inner Harbor at Camden Yards	Baltimore	MD 524	\$18,300,000	\$34,924	N/A	N/A	75
Q1 Hampton Inn & Suites National Harbor/Alexandria Area	Oxon Hill	MD 154	\$47,000,000	\$305,195	Sak Developers	Blackstone	59
Q1 Port Inn Bar Harbor	Bar Harbor	ME 77	\$11,000,000	\$142,857	Kebo Street, LLC	Giri Bar Harbor Kebo Inc.	55
Q1 Loews Minneapolis Hotel	Minneapolis	MN 251	\$23,500,000	\$93,625	JV Marcus Hotels & Resorts & Hempel Real Estate & Robinson Park	LH Minneapolis Hotel LLC	87
Q1 La Quinta Inn by Wyndham Missoula	Missoula	MT 80	\$13,260,000	\$165,750	Missoula Reserve Hotel, LLC	Mohammad U. & Musarat P. Farooq	53
Q1 Travelodge by Wyndham Outer Banks/Kill Devil Hills	Kill Devil Hills	NC 97	\$11,000,000	\$113,402	Lap Royal 33 LLC	Lasgo, Inc.	47
Q1 La Quinta Inn & Suites by Wyndham Raleigh Morrisville Durham Airport	Morrisville	NC 135	\$10,900,000	\$80,741	LHG Airport Inc	Highgate	70

5) Buyer acquired the leased fee position which was previously subject to a ground lease set to expire in 2028.

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Q1 Red Roof PLUS+ Raleigh NCSU - Convention Center	Raleigh	NC	133	\$12,000,000	\$90,226	DTS Land Hotel Class, LLC	BW RRI I, LLC	81
Q1 Staybridge Suites Philadelphia-Mt. Laurel	Mount Laurel	NJ	99	\$13,200,000	\$133,333	Delco Development	Lixi Group	70
Q1 SpringHill Suites by Marriott Voorhees Mt. Laurel/Cherry Hill	Voorhees Township	NJ	117	\$10,450,000	\$89,316	SSN Voorhees 1031 LLC	SHS Voorhees Hospitality LLC	46
Q1 Hilton Woodcliff Lake ⁶	Woodcliff Lake	NJ	338	\$50,700,000	\$150,000	Garden Communities	Wilmington Trust	56
Q1 Residence Inn by Marriott Albany Washington Avenue	Albany	NY	106	\$12,000,000	\$113,208	Maine Course Hospitality Group	N/A	57
Q1 SpringHill Suites by Marriott Buffalo Airport	Buffalo	NY	108	\$10,000,000	\$92,593	Rudra Management	Scott Enterprises	50
Q1 Crowne Plaza JFK Airport New York City ⁷	Jamaica	NY	335	\$79,000,000	\$235,821	Crowne Partners LLC	GFI Capital Resources Group	48
Q1 Long Island City Hotel 38-04 11th St.	Long Island City	NY	142	\$40,500,000	\$285,211	LIC Investors I LP	McSam Hotel Group	75
Q1 Red Lion Inn & Suites Long Island City	Long Island City	NY	73	\$18,135,000	\$248,425	Crescent Hotel Realty LLC	Dan's Global Hotels, LLC	83
Q1 Roger Smith Hotel ⁸	New York	NY	134	\$30,318,212	\$226,255	Holiday Inn Club Vacations Incorporated	Timeshare Acquisitions At Lexington LLC	94
Q1 Comfort Inn Syosset-Long Island	Syosset	NY	82	\$14,000,000	\$170,732	Oak Hospitality LLC	Goldcrest LLC	67
Q1 Ashland Hills Hotel and Suites	Ashland	OR	118	\$21,900,000	\$185,593	BHG Hotels	Ashland Hills Hotel Llc	30
Q1 Monarch Hotel & Conference Center	Clackamas	OR	192	\$15,800,000	\$82,292	A-1 Clackamas, LLC	Sam Allen Motel Properties, LLC	38

6) Special servicer sale. Buyer acquired asset through an auction, closed hotel and reportedly is exploring a variety of redevelopment options.

7) Hotel currently being utilized as an emergency migrant shelter.

8) Hotel (timeshares) closed at time of sale. Seller previously acquired property for \$41.4 million in 2022.

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Q1 Lolo Pass Portland Hotel and Hostel ⁹	Portland	OR	87	\$15,500,000	\$178,161	Central City Concern	L&L Hospitality	82
Q1 Promenade Inn & Suites Oceanfront	Seaside	OR	113	\$10,000,000	\$88,496	Malbco Holdings, LLC	Shilo Inn Seaside Oceanfr Llc	49
Q1 Residence Inn by Marriott Philadelphia Langhorne	Langhorne	PA	100	\$22,100,000	\$221,000	Baywood Hotels	MCR	54
Q1 Holiday Inn Wilkes Barre - East Mountain	Wilkes Barre	PA	152	\$12,850,000	\$84,539	JPMN Hospitality LLC	WPA Wilkes Barre, LLC	42
Q1 MainStay Suites Brentwood-Nashville	Brentwood	TN	99	\$10,500,000	\$106,061	N/A	N/A	72
Q1 Fairfield Inn & Suites by Marriott New Braunfels	New Braunfels	TX	89	\$11,700,000	\$131,461	BW Payson LLC	NB 35 Hotel, LP	40
Q1 Hyatt Place Dallas/Plano	Plano	TX	127	\$10,300,000	\$81,102	N/A	Summit Hotel Properties Inc.	81
Q1 Hampton Inn & Suites Bellevue Downtown-Seattle	Bellevue	WA	128	\$30,000,000	\$234,375	Bellevue H, LLC	OTO Development	79
Q1 Hilton Garden Inn Seattle/Renton	Renton	WA	150	\$18,000,000	\$120,000	Virk Hospitality Renton 2 LLC	Blackstone	56
Q1 Red Lion Hotel & Conference Center Seattle Renton ¹⁰	Renton	WA	224	\$36,200,000	\$161,607	King County, WA	Renton Hotel Investors LLC	53
Q1 Residence Inn by Marriott Spokane East Valley	Spokane Valley	WA	84	\$10,387,000	\$123,655	BHGAH R SPK, LLC	IM Spokane, L.P.	48
Q1 HomeTowne Studios by Red Roof Tacoma - Hosmer ¹¹	Tacoma	WA	128	\$11,000,000	\$85,938	Sage Investment Group	Westmont Hospitality Group	52
Q1 Residence Inn by Marriott Salt Lake City Cottonwood	Salt Lake City	UT	144	\$19,200,000	\$133,333	N/A	Ashford Hospitality Trust, Inc.	61

9) Reportedly property will be converted to a residential drug treatment center.

10) Reportedly property was previously leased by King County and used as a homeless shelter but has been vacant for some time.

11) Reportedly property will be converted to affordable housing.

LARC Score

The LARC Score is a data-driven, objective scoring mechanism that analytically measures the quality of a hotel location based on proximity to hotel demand drivers relative to competitive supply. The score is indexed from 0 to 100 with 50 being the average score across the U.S. and 100 being perfect. The LARC score identifies the quality of a site location, not the asset on that location. For example, a Motel 6 and Four Seasons at the same location would have similar LARC scores.

Learn more at <https://www.larcanalytics.com/>